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An Eastern Entrepôt

A COLLECTION OF DOCUMENTS
ILLUSTRATING THE HISTORY
OF HONG KONG

by

G. B. ENDACOTT

LONDON

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1964

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To my College at Oxford, in gratitude.

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G. B. Endacott

Hong Kong.

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FOREWORD

(a) An Introduction to the Colony of Hong Kong

The Colony of Hong Kong consists of the Island of Hong Kong (29 square miles), the Kowloon Peninsula on the mainland opposite, (3½ square miles) and, held on lease from China, the New Territories (365½ square miles), which lie to the north of the Kowloon Peninsula, and include some 235 islands. The total area of the Colony is thus 398½ square miles. It is situated on the southern coast of China at the mouth of the Pearl River Estuary opposite the Portuguese Colony of Macao and lies about 75 miles south-east of Canton. The land is for the most part barren and hilly; the peaks on the Island rise almost perpendicularly from the sea to a height of about 2,000 feet leaving little margin for cultivation or for building, and though the New Territories have river valleys which offer greater scope for agriculture, even so only about one sixth of the area of the Colony can be cultivated. The amount of rice produced would suffice for about one month. The Colony has therefore to depend on outside sources of food supply of which the mainland is inevitably an important one.

In the past, Hong Kong's greatest asset was its harbour. Its life-blood was shipping which supported an extensive entrepôt trade and around which there grew up associated undertakings such as ship-building and repairing, ship-chandling and the provision of wharfage and warehousing services. The growth of commerce brought related commercial enterprises such as banking, insurance and specialised markets, e.g. in bullion and currency. A stable monetary system, confidence in impartial administration of justice, and an efficient administration, have also been factors in the Colony's economic progress. Since the Second World War, a growing industrialisation has reduced the Colony's dependence on the entrepôt services, but has not materially diminished its economic dependence on overseas markets both as sources for its raw materials and outlets for its products. Hong Kong still lives as it has always lived, by importing and exporting.

A census held in 1961 gave a population figure of 3,133,131. The population is for the most part herded together in two large urban areas, one, Victoria, stretching along the eleven miles of the northern shore of the Island, and the other, Kowloon including New Kowloon, the latter being the built-up portion of the adjoining Leased Territory. In addition, urbanisation of the parts of the rural areas which formerly supported under 500,000 people is increasing. Of the 1961 total, no less than 3,074,000 or 98.2% were estimated to be Chinese by race. Most of these were Cantonese-speaking people from Kwangtung Province, but many

villages in the New Territories are Hakka, that is, literally, "guest families", descendants of immigrants from the interior who came into the district some 300 years ago. There are a few fishing communities from Fukien Province, and many Northerners who were refugees from the communist regime.

The non-Chinese sections of the people are of very varied origin. In the 1961 census, 33,140 claimed to originate from Commonwealth countries and 16,607 from non-commonwealth countries and the latter included great variety of nationalities, and both categories include some of Chinese racial origin. The whole population was in the past extremely migratory and few Chinese or Europeans made the Colony their permanent home, but the population structure of the Colony was completely changed by the influx between 1947 and 1950, of three quarters of a million refugees, most of them from the neighbouring Kwangtung Province, and by the closing of the frontier in 1950. In 1961, 40.8% of the population were under 15 years of age with the result that the number able to claim British nationality by virtue of being born in Hong Kong is rapidly increasing.

✓ An already over-crowded urban area has become grossly over-crowded, and the great problem has been to integrate the new-comers into the life of the Colony, to find employment, and to provide housing and public services. Most brought little but their labour, but some brought capital and skill and were instrumental in bringing about a rapid development of industrialism.

(b) The Development of Hong Kong as an Entrepôt

Hong Kong as a British Colony dates from 1841. At that period a spectacular commercial expansion found British merchants making their way into every part of the world along trade routes spanning every ocean. This primarily maritime commercial enterprise called for some degree of naval protection, and to achieve this, British policy was in part directed to maintaining a defensive chain of old-established or newly-acquired insular or peninsular possessions, such as Bermuda, Malta, Mauritius, Penang, Singapore, Gibraltar, The Cape, Aden and Trincomalee. (Some of these were held by the East India Company, but it may be assumed that in this respect the Company's policies accorded with those of the State.) Some of them developed into trading entrepôts but some did not, for their primary, though not necessarily their only purpose was to serve as bases from which British trade could be expanded, protected and controlled. Hong Kong fell naturally into place in this general scheme, in so far as it related to trade with the East.

The actual circumstances of the founding of Hong Kong as a British Colony were not without significance in their bearing on its economic fortunes. In the first place, there was no unequivocally-expressed intention to secure a colony on the China coast whether as an entrepôt or otherwise. Before 1841, trade with China had been restricted to Canton under conditions which were dictated by the Chinese and were characterised by capricious regulations and arbitrarily varied charges, against which the

western traders were denied every diplomatic or other accepted means of seeking redress. When in 1839 Commissioner Lin Tse-hsu confined them within the Canton Factory area in order to compel acquiescence in his demands for the abolition of the opium trade, Palmerston, backed by the British Parliament, decided to use the incident to insist on a settlement. The British Foreign Secretary did not, however, regard the cession of an island as a vital requirement. It is true in his letter to the "Minister to the Emperor of China" he insisted on a suitably situated island or islands to provide security for the British traders under the British flag, subject to their own laws and officials, and free from the sort of pressure Lin had tried to exercise. But his essential demand was for security for British trade and his letter to the British Plenipotentiaries clearly set out two alternatives by either of which this security might be achieved, viz the cession by the Chinese of an island or islands, or, if they objected to such a cession, the granting of a commercial treaty laying down agreed terms for regulating future commercial intercourse. If the Chinese agreed to cede an island, the latter should be chosen, not by the Plenipotentiaries, but by the Admiral and Superintendent of Trade, to ensure its suitability for both trade and defence. When the Whigs fell from office in September 1841, the new Foreign Secretary, Lord Aberdeen, abandoned the claim for an island altogether and made the negotiation of a commercial treaty the sole object of hostilities; but in the end, at the Treaty of Nanking, 1842, Sir Henry Pottinger secured both an island, Hong Kong, and the promise of a commercial treaty.

Commodore Sir J. J. Gordon Bremer and Captain Charles Elliot R.N. jointly issued the Proclamation of February 1st 1841 addressed to the inhabitants of Hong Kong, announcing the cession, but it was undoubtedly Elliot as Plenipotentiary and Superintendent of Trade who was instrumental in choosing Hong Kong as a suitable island to be ceded under Palmerston's instructions. Elliot argued that an island near the Pearl River Estuary was necessary since it could be expected that Chinese prejudice against foreigners would keep western trade as far away from the capital as possible, and that Canton would remain the centre of trade with the west. Hong Kong, conveniently close to Canton, was small and sparsely populated and so its loss was not likely to ruffle Chinese feelings. The main attraction was an extensive sheltered harbour which Elliot had reason to appreciate when he and the whole British community took refuge there in 1839. Palmerston was not impressed by these arguments; he refused to recognise Elliot's proclamation and recalled him in favour of Sir Henry Pottinger.

Palmerston had clearly pointed out in a dispatch to the Plenipotentiaries dated February 3, 1841, that an island would be valueless unless its freedom to trade with the mainland were safeguarded. Unfortunately, Pottinger's arrangements to provide for this in the Supplementary Treaty of the Bogue of October 1843, led to unhappy and unsatisfactory results. By Article XIII Chinese merchants were allowed freedom to ship goods from any of the treaty ports to Hong Kong. Chinese were also allowed free and

full permission to come to Hong Kong to purchase goods, but if they required a Chinese vessel to ship their goods they had to "obtain a pass or port clearance for her at the customs-house of the port whence the vessel may sail for Hong Kong". This presumably meant, but did not specifically state, that that port must be one of the treaty ports. Also no provision whatever was made for Hong Kong junks. Articles XIV and XVI provided for the appointment by the Hong Kong Government of an English official to examine all registers and passes of Chinese vessels at Hong Kong and for the Hong Kong and Chinese authorities to supply monthly returns of Chinese shipping and cargoes as a check against smuggling. These articles aroused great resentment among the British merchants as an infringement of the officially proclaimed freedom of the port. The Chinese properly took their stand on treaty stipulations which confined all foreign trade with China to the open ports and Pottinger recognised the force of their contention. In the event, articles XIV and XVI were disregarded by the British and no official was appointed to control the native craft using the harbour, although, as a poor substitute, a cursory report on the native trade was prepared each year for some years by Charles Gutzlaff. Commercial relations between Hong Kong and the mainland were therefore left obscure, and the resultant uncertainty opened the way to much disreputable smuggling in which the Chinese proved themselves no less adept than the foreigners.

At first sanguine hopes of great prosperity were entertained in Hong Kong and land was bought at high prices in the expectation of rapid development and quick profit. This mood of optimism soon gave way to an equally exaggerated gloom as it came to be realised that Hong Kong's commercial prospects were not bright, and that its development would be slow. There were many reasons for this failure of the Colony to come up to expectations. One has already been mentioned, that the Chinese regarded uncontrolled trade between Hong Kong and the mainland as contrary to the treaty. Perhaps the main reason was that the most exaggerated notions were entertained of a rapid expansion of trade with China generally and failure to reap its harvest was attributed to Chinese recalcitrance and obstruction. But even if trade with China had expanded to the extent expected, it did not follow that Hong Kong's trade would necessarily have grown *pari passu*, because the opening of the Treaty Ports had created a new situation in that direct shipments to those ports would lessen the need for a central distributing centre on the China coast. Few foresaw how the new arrangements brought into being by the Treaty of Nanking would work in practice and most tended to read into those arrangements their experience of the old Canton-Macao days. In the past the Chinese trade had always been seasonal because sailing ships used the monsoon winds; residence at Canton had therefore been for the trading season only and Macao served as a commercial and social headquarters. Many thought that this pattern of trading would continue, that residence at the new treaty ports would be similarly seasonal and that Hong Kong would become the commercial emporium and social centre. Though there was some justification for this view since the era of the steamship, which was not dependent on the winds, was only beginning,

nevertheless it was based on failure to see that a new situation had arisen.

Again some foreign merchant houses, particularly American, which had for long traded at Canton, tended to remain there, and saw little reason why they should move to Hong Kong. Trade was also hindered by the serious incidence of piracy. The British regarded anti-piracy measures as a matter for the Chinese officials and took no effective action until 1849 by which time it had become apparent that the Chinese were either incapable of taking effective measures or unwilling to do so. Finally, it must be remembered that Hong Kong merchants were especially impatient at the slow rate of commercial growth, and understandably so, because the reputation of the Island for deadly fever was such that they were in a hurry to make money and get out before being claimed by the rapidly filling cemetery in the Happy Valley.

There is little wonder, then, that many regarded the selection of Hong Kong as a mistake, that the Hong Kong merchants began to talk of returning to Macao or that they complained in a petition to the Secretary of State in August 1845 that "such a settlement as Hong Kong was never really required ...". Nevertheless Hong Kong had substantial advantages which ensured its retention and progress. It possessed a deep, spacious and sheltered harbour with good holding ground, and this attracted shipping. British merchants enjoyed the benefits of British law and justice under their own flag, and the principal British firms preferred to establish their headquarters there. The building of go-downs, for the storage of opium for example, led to lower insurance charges, and a British garrison gave a comforting feeling of security.

After a period of uncertainty, Hong Kong began to grow. Primarily, this growth of Hong Kong as an entrepôt was a product of secular forces operating over the 19th century and after. They were, the opening of China to western trade and influence, followed by the opening of Japan, Siam, and Korea. Secondly the opening of the trade routes in the Pacific Ocean stemming from the development of countries bordering the Pacific, such as the United States' west coast, the South American Republics, Australasia, and South-east Asia. Thirdly, the development in England of a highly industrialised society, accompanied by a commercial maritime and financial enterprise which carried British goods into every part of the world in search of markets. Fourthly, British liberal economic policies, particularly free trade, and a strong laissez-faire spirit in administration which aimed at keeping the ring clear for free enterprise under the law administered impartially to all without fear or favour, attracted to Hong Kong merchants of every nationality. It encouraged in addition an ever increasing Chinese population. At first, the Chinese came as labourers, artisans and shop-keepers because the Chinese officials frowned on Chinese emigration there. Chinese prejudice against Hong Kong gradually subsided, Chinese families came to settle, and become prosperous under a regime which suited their individualistic temperament. Hong Kong quickly became and remained predominantly Chinese. The Chinese community which was enterprising, frugal and

commercially active, has been without any doubt, a most significant factor in Hong Kong's economic prosperity.

Hong Kong, referred to by Palmerston with pardonable exaggeration as a barren island, was virtually devoid of natural resources, and what trade it had, was of necessity entrepôt trade. The outlines of the growth of Hong Kong as an entrepôt centre are fairly clear, but detailed statistics are lacking because of its free port status. Successive harbourmasters in the colony made valiant attempts to include estimates of the Colony's trade in their annual reports, and R. Murray Rumsey, who was Harbourmaster from 1888 to 1903, began a more serious attempt in 1893 to estimate the trade by attempting to secure details of cargoes from agents or masters of ships using the harbour. The Chamber of Commerce criticised him for "some apparent errors" in the figures for 1895 and questioned if it were "worth while attempting to make any return at all". Rumsey pointed out in his annual report for 1896 that "Indifference, want of knowledge, and commercial jealousy, will probably always militate against accurate information being supplied" and retorted that he had clearly stated the sources of his information and that it rested with those who had the means of supplying information to help avoid inaccuracies. Merchants understandably resisted having details of their business exposed, and the Chinese firms, which tended usually to be family partnerships, were equally secretive. The Annual Blue Book of Statistics for Hong Kong, Colonial Office series 133, gives some information under three headings, shipping, imports and exports, and the junk trade. Details of shipping using the harbour, such as size, nationality, port of origin or destination, are fully given and are fairly certainly accurate. For some years, an attempt was made to add some indication of the cargo carried and to repeat this information with a little more elaboration in the Imports and Exports section. This section still had little detail and in 1849 a note was added that the import and export figures were quite unreliable and were dropped; but they were again given, after a lapse of some three years, and then dropped again in 1860, probably following the arrival of a new governor, Sir Hercules Robinson. There was no official provision for the collection of commercial statistics and it must be assumed that the Harbourmaster gained his information by casual conversation with the ships' masters and merchants and perhaps from local gossip. Details of the junk trade were collected haphazardly by officials in the Chinese Secretary's department under the office of the Superintendent of Trade, and Gutzlaff, the Chinese Secretary, was made responsible. This was very much a spare-time job. The 1849 report on the junk trade was admittedly compiled from information obtained by the Chinese office messenger, and in the following year, 1850, T. F. Wade, who was responsible for the report in the absence of Gutzlaff, confessed that the material had been compiled by a Chinese clerk in the department. Gutzlaff complained that Junk-masters were very much averse to being questioned and usually under-estimated their cargoes. The conclusion is that while information on Hong Kong's trade does exist, it is neither detailed nor reliable and can be used only with the greatest caution. The commercial records of the leading Agency Houses and

Chinese Hongsg would throw more light on the rise and sources of the entrepôt trade in Hong Kong than any of the available statistics.

The British and foreign Agency houses continued for some time in Hong Kong as the commercial unit. They were primarily agents for manufacturers or wholesalers in Britain, Europe and India, and sold cargoes or consignments on a commission basis. Warehouses, or godowns as they were locally called, were therefore indispensable because of goods having to be stored while waiting for a favourable turn in the market. Merchants in Hong Kong also usually combined the functions of shipowners, shipping agents, bullion brokers and bullion carriers - until this side of their business was reduced by the rise of banks - insurance agents and ship chandlers. They also derived profits from property speculation, and the formation of public utility companies and private companies. The era of the princely hongsg came virtually to an end by the opening of the Suez Canal in November 1869, and the coming of the telegraph, which brought the British manufacturer more quickly in touch with the eastern market and therefore made him less dependent on the discretion of his agent. Thereafter the manufacturer generally supplied goods in fulfilment of orders received.

Joint-stock companies in Britain began to increase in number after the legislation of 1844 and showed more striking increase after that of 1855-56 which gave them the advantage of limited liability. Much of this legislation was adopted by the Colony and embodied in the Companies Ordinance of March 1865 (No. 1 of 1865). Sir Hercules Robinson wrote home that Jardine, Matheson & Co., and Russell & Co., two of the oldest and largest agency houses, had been much opposed, and at one point the bill had been dropped, but was revived and passed after memorials supporting it had been received from the General Chamber of Commerce and the merchant community. This legislation led to the increase in the number of firms trading in the eastern market and to greater opportunities for smaller import-export companies to start up in Hong Kong. The old wealthy merchant houses retained their pre-eminence, but had to meet much more competition.

Hong Kong's entrepôt trade at first was mainly with Britain, India and China. Later, in the century, as Germany, France, Holland and other European countries became industrialised, trade with the European continent increased; there were already in Hong Kong a number of continental firms thanks to the liberalism of British colonial rule, and the increase was smoothly built upon already existing connections. Here again the growth cannot be traced in accurate detail, but the British trade with China while it steadily grew in amount, diminished in proportion as European, American and Japanese trade increased. The cosmopolitan character of Hong Kong gave it a considerable advantage as an entrepôt of European trade with the east.

The treaty ports of China did not develop as expected. Of the four opened in 1842, Shanghai, Ningpo, Foochow and Amoy, only Shanghai became an important centre of the China trade. Ningpo was too close to Shanghai; the approach to Foochow was difficult

and there much Chinese opposition to a provincial capital city being opened to the foreigners; and Amoy had few hinterland products to offer. Canton retained much of its old trade because of long-established trading connections and of the vast hinterland tapped by the river systems which converged on the City; but ill-feeling against foreigners persisted after the Opium War and merchants were confined to the factory area until the Shameen concession was leased in 1860, and so the development of western trade in Canton was steady but not spectacular. The additional ports opened by the Treaty of Tientsin 1858, the Conventions of Peking 1860 and of the Chefoo 1876, showed little sign of developing into large centres of trade with the possible exception of Tientsin. The result was that cargoes for the less developed ports had either to be transhipped at Hong Kong or Shanghai, or the ships carrying the cargoes had to be diverted to the various smaller ports. Hence there were factors making for a transshipment trade at Hong Kong.

Another factor in the rise of Hong Kong as an entrepôt centre was that many ships even if destined for ports further north, called for orders, because Hong Kong was the headquarters of the largest firms in the trade. After the long 1800 miles voyage from Singapore during which a sailing vessel would cover much more than that distance, vessels would also call for water, victualling, repairs or to land sick crew, and advantage of such calls was taken to make any advantageous transshipments. Because Amoy did not develop as an important trading centre, Hong Kong tended to develop as the centre of the coastal trade between Hainan and Amoy.

The entrepôt trade of Hong Kong not only grew, but spread to embrace the whole Far East and South-east Asia. There were two main factors in this process. The first arose from the vast Chinese migration in the 19th century and the second from the development of specialised entrepôt services. Chinese communities burgeoned on the west coast of North and South America, in the West Indies, the Sandwich Islands (Hawaii Islands) Australia, Dutch East Indies, North Borneo, Sarawak, the Straits Settlements and Malaya, Siam, Burma, Mauritius and the Seychelles, and Indo-China. These Chinese communities held tenaciously to their Chinese way of life and were supplied with Chinese products through Hong Kong, where many Chinese hongks, such as the Nam Pak Hongks (North-South firms) were engaged in this trade. Some of the emigrants were indentured labourers, but there was much free emigration of which Hong Kong was the centre because the emigrants were mostly Cantonese including Hakka, and to a less extent Fukienese. In addition, the Chinese emigrants in South-east Asia tended to monopolise the industry and commerce of the countries to which they went, because of their business efficiency and assiduity and partly because, as in Siam, commerce was looked down on as an inferior and to some extent even a debased avocation. They tended to be hard-working, frugal and commercially ambitious, and their strength lay in being closely knit through the family to their Chinese communities. Many had relatives in Hong Kong, and close business relations grew up.

The process cannot be traced in detail, but its repercussions in Hong Kong can. The Chinese business community there grew, and occupied the western district between the central district and Sai Ying Pun. By 1880, they had spread into Queen's Road Central which had up to then been reserved for European residence and they spread to other European areas such as Wellington Street and Hollywood Road. They became the largest ratepayers and the census of 1881 provided detailed evidence of growing Chinese prosperity, based on overseas trade. Sir John Pope Hennessy estimated in 1880 that the Chinese in Hong Kong were contributing 90% of the total revenue of the Colony. Evidence of the growth of Chinese firms can be found in the old records still held by the Hong Kong Government Rating and Valuation Department, and in the growing lists of Chinese firms given each year in the Chronicle and Directory of China, Japan and the Philippines published annually by the Hong Kong Daily Press.

The Chinese were efficient business men, and their frugal way of life and less pretentious living conditions tended to give them considerable advantages in acting as middlemen. They were content with narrower profit margins, which made them more competitive. The British consular reports of these years, (e.g. that of Hankow 1883) make the same point that Chinese business men were taking over much more of the trade with the west and were competing successfully with British firms.

The essential feature of the entrepôt trade of Hong Kong was the existence of entrepôt services which tended automatically to attract trade. It is not strange that Hong Kong trade developed slowly nor that its early years produced great disappointment, for there is no reason why trade should be attracted to a relatively barren island which had no products of its own to exploit and exchange. But, in addition to its natural harbour, Hong Kong possessed assets that were almost equally potent in making it a successful commercial centre. It possessed among its people, business acumen, managerial ability, commercial experience, professional skill, financial resources, control of shipping and a good supply of industrious and inexpensive artisans and workers. It would be an exaggeration to say that the entrepôt trade was a product of these entrepôt services because clearly the two interact, but it can be said that in Hong Kong, the British and Chinese communities provided the expertise which inevitably stimulated an entrepôt trade, and that services which were designed to cater for the whole of the eastern trade were immediately available in Hong Kong on the spot. It is true that Shanghai after 1880 began to out-strip Hong Kong in economic importance because of the geographical advantages of proximity to a highly productive area and its situation as the terminal port of a vitally important commercial highway, the Yangtze River; but Hong Kong was able to compete because it remained an official British administrative and military centre, the commercial headquarters of the chief firms and the abode of a growing Chinese community. The rise of Hong Kong rested on the twin pillars of shipping and commercial skill both European and Chinese, functioning under the security of a British administration.

The enlargement of the entrepôt trade to embrace not merely that between China and the West but that of the Far East generally was largely a consequence of the development of Hong Kong as a shipping centre. Hong Kong's geographical position contiguous to the populous provinces of Kwangtung and Kwangsi, its sheltered anchorage and the presence of the leading firms, the security provided by the flag all attracted shipping. Ship-repairing and ship-building industries, victualling and ship-chandling facilities, and insurance followed as a natural consequence. It naturally tended to be a convenient centre of the carrying trade.

The growth of shipping using the port can be followed in detail in the harbourmasters' reports. The leading commercial houses usually, but not invariably possessed their own ships or became agents for British and European shipping lines, and they tended to use the port as a port of call to give themselves the opportunity of diverting ships if necessary to take advantage of the most favourable market prices along the Coast. The enormous migration of the Chinese was clearly an important factor in the growth of the shipping using the port, and this tended to develop trade with Chinese communities overseas. Locally based shipping lines came into being and entrepôt trade tended to be attracted by the facilities readily available. These shipping lines were mainly British, it was an age of British maritime leadership, and tended to gravitate towards British-held territory and this was an important factor in the rise of Hong Kong. Jardine, Matheson & Co., Dent & Co., MacVicar & Co., Turner & Co., Gibb, Livingston & Co., and Douglas Lapraik, were some of the local agency houses which had their own ships. Jardine, Matheson & Co., eventually in 1882, organised their ships under the Indo-China Steam Navigation Co., which was controlled by them. The Pacific Mail Line was started in 1866, the Glen Line began calling at Hong Kong in 1869. The Messageries Maritimes, or Messageries Impériales as it was known in the days of the Second Empire, came to Hong Kong in 1862. The P. & O. Steam Navigation Company commenced a fortnightly service to Hong Kong as early as 1845 and for some short time entered the local coastal trade. Butterfield & Swire which set up in Shanghai in 1866 and came to Hong Kong in 1870 founded the China Navigation Company in 1872.

In addition to these ocean-going and coastal shipping lines, there were local shipping agencies engaged in the local distributive trade. The Hong Kong, Canton and Macao Steamboat Co., was formed by local shipping interests in 1865. There were innumerable smaller independent and often ephemeral ventures, like that of D. R. Caldwell, the Registrar-General, with a Chinese Ma Chow Wong, which came into history when both were accused of piracy. Many small lorchas, which were small ships with a European hull and Chinese rigging, a type of ship which originated with the Portuguese, were owned by Chinese in Hong Kong and would often have a British master and a Chinese crew, such as the "Arrow", the incident over which led to the "Arrow" war in 1856. Lastly there was the ubiquitous junk manned and generally owned by a Chinese family which lived permanently afloat. But the Chinese junk was adversely affected by piracy, by unsettled conditions in China,

for example the T'ai P'ing Rebellion, and by the expense of paying for armed protection often made available by local adventurers.

In 1874 the China Merchants Steam Navigation Company was founded with the strong encouragement of Li Hung-chang, by Chinese merchants among whom those in Hong Kong held the largest share. Hong Kong became a centre of the carrying trade which was an essential concomitant of the entrepôt trade. The importance of the shipping interest was acknowledged by the establishment of the Observatory in 1883.

The other entrepôt services have already been mentioned and need not be restated at length. The main British firms were centred at Hong Kong, and other ports were regarded as out-ports, and this remained broadly true, even when Shanghai outstripped Hong Kong in commercial importance. For example the Chronicle and Directory of China, Japan and the Philippines referred to above gives a list of public and private companies at Hong Kong and each of the Treaty Ports, including the names of their partners or directors and the port at which each was stationed. It is not easy to use these statistics because sheer numbers do not show the degree of importance in the China trade, but there is clear evidence of control from Hong Kong. Some firms like Butterfield and Swire began at Shanghai and gravitated to Hong Kong, others began at one of the treaty ports and like Bradley & Co., at Swatow, and later moved to the Colony. Professional services were easily accessible in Hong Kong. There were lawyers, barristers and solicitors to assist with legal advice. There were insurance companies, brokers, bullion brokers, bankers, operators in specialised markets as well as physicians and medical facilities. Again, it cannot be said that they created the commercial prosperity. They were attracted because of commercial opportunities, and then in turn attracted more firms and the inter-action continued.

Financial resources were mobilised through the rise of banking institutions. The Oriental Banking Corporation was the first Bank to open in Hong Kong, in 1845, and it was followed by The Agra and United Services Bank, Commercial Bank of India, the Bank of Hindustan China and Japan, The Bank of Western India and others. Most of these disappeared in the financial crisis of the middle 1860's. The Hongkong and Shanghai Banking Company was formed in 1864 by local merchants and became the leading financial institution. The Chartered Bank of India, Australia and China, and the Chartered Mercantile Bank of India, London and China, which later became known as the Mercantile Bank of India, set up branches in Hong Kong as did French, Dutch, German, Russian and American Banks. China had a longer tradition of banking than the West. The Chinese were served by their own native banks and formed a Native Banks Guild which laid down rules and principles to which its members were expected to conform. They financed trade with China passing through Chinese hands, and trade with South-east Asia and Chinese communities overseas, and were used by the latter in sending remittances to China. The first Chinese bank run on western lines was the Bank of Canton formed in 1912, and this was followed by the Bank of East Asia in 1919.

The important merchant houses and the Banks maintained offices or had their head offices in London, and thus close liaison with the London money market was maintained. There was always ample capital available for commercial and development projects and British financial transactions in the Far East tended to be channelled through Hong Kong.

Commercial, financial and professional services were therefore important in Hong Kong overall economic position. Commissions, fees and services were as important to Hong Kong as the income from the visible movement of trade; but in the absence of reliable figures it would be rash to make any estimate as to their proportions.

Finally Hong Kong as an entrepôt stemmed from certain local favourable conditions. The British administration, though far from faultless, tended to hold the balance equally between the Chinese and foreign communities and to provide conditions of security and social order which the Chinese seemed unable to achieve for themselves at that time. The Colonial Office and the British Parliament were ready to pounce on abuses, and the Chinese thrived under British rule. The justice administered by the courts gained respect and met an essential need. The currency was convertible being based on silver. Above all, the port was a free port where men of any nation could freely reside and trade, and no irritating restrictions were put in their way. In a system of private enterprise, all men were free to go about their lawful business without interference. In addition the merchants were given a great deal of influence in the government of the Island and the supremacy of the mercantile interest received recognition in the appointment of two merchants in 1850 as unofficial members of the Legislative Council, subsequently increased to three in 1857, to five in 1884, and six in 1896. Up to 1880 they were British, but from that year Chinese and Indian elements have been added and the British-born element cut down. In 1884 the Hong Kong General Chamber of Commerce was allowed to nominate one representative to the Legislative Council, and the Unofficial Justices of the Peace, many of whom were merchants, were given the privilege of nominating another member. Two unofficial members of the merchant community were added to the Executive Council in 1896, and a third in 1926. The merchants were therefore given opportunity of making their voice heard in the official counsels of the Colony.

(c) A note on Sources and Choice of Documents

The sources for a study of the development of Hong Kong as an entrepôt centre are regrettably incomplete and deficient in detail. Statistical evidence of the growth and spread of the Island's entrepôt function is lacking because Hong Kong was a free port and therefore there are no customs returns to help. Generally, conclusions on the subject have to be deduced from indirect evidence and from such trade returns of other countries as are available.

Three types of most valuable source material are either non-existent or not available. First, as has been said, there are no reliable figures of Hong Kong's imports and exports before 1919, because until then, it was nobody's business to collect them. The exception to this concerns the opium trade, for which figures exist from 1887. In that year an Imports and Exports office was set up as a result of the 1886 agreement with China which was made in accordance with the terms of the Chefoo Convention of 1876 and of the Additional Article to that Convention of July 1885. By this agreement the Hong Kong Government undertook to inform the Chinese Government of all movements of opium in and out of Hong Kong, and the Office was set up to do this. Secondly, commercial records of the Chief Hong Kong business houses are all privately held, except those of Jardine, Matheson & Company which are housed in the Cambridge University Library, but can be consulted only with the Company's permission, and material from it can be published only by permission. Thirdly, there are no detailed accounts of the rise to importance of the Chinese firms and their trading connections overseas, because they were equally secretive over their activities. There can be no complaint about this because there is no compelling reason why business houses should publicise their activities; indeed there was every incentive to refrain from action which might assist their competitors. A history of the emergence of some of the present-day Chinese families which have gained positions of importance in the present-day economic life of Hong Kong would provide instructive reading on this subject.

It is then easier to be eloquent about the lack of desirable source material than about that which is available, but this latter is not negligible. The official records in the Public Record Office, London, give the Governors' dispatches and the replies from the Colonial Office in Downing Street in the series CO 129. They rarely gave details of or dealt with the entrepôt trade directly, and more frequently, the most useful evidence is given as it were accidentally when dealing with some other important side issues, such as the Hong Kong Mint, or the Hong Kong Blockade by Chinese revenue and customs cruisers in 1866 and following years. Each year the Governor gave an annual review of the Colony's progress for the annual Blue Book of Statistics, CO 133, in which economic progress is touched on in general terms. These official utterances from the Colony's chief executive officer are of course factually accurate, and yet must be used with caution because Governors, as with other men, did not always resist the temptation to present their own doings in the most favourable light, and were apt to be selective in their review of events, and to stress those features which brought them credit.

Then there are official reports of Commissions or Committees of Enquiry, tending again to be factually accurate and probably unbiased, some held locally in the colony and some held in London, such as the Parliamentary Committee of 1847. Next, of great importance are the annual reports of the Hong Kong Government Department, particularly those of the Harbourmaster. An Import-Export Department was set up in 1887, as has already been mentioned, following an agreement with China, aimed at controlling the opium

trade of Hong Kong to safeguard China's customs Revenue, and from that date, presumably accurate returns of that trade are available. This department was at first placed under the Harbourmaster; in September 1909, after the imposition of import duties on certain luxury articles, a Superintendent of Imports and Exports was appointed and his office became an independent department in 1914. From 1919 complete and presumably accurate figures of trade had to be furnished by ordinance to the Department by the commercial firms. Included in this category, and essential for the study of Hong Kong trade, are the annual statistics issued by the Statistical Division of the Chinese Imperial Maritime Customs and available from 1864 to 1940, and after the War until the establishment of the Chinese Peoples' Republic.

Then there were semi-official sources, such as reports on trade by officials or by private individuals which were deemed of sufficient merit to be sent to the Secretary of State, for example the Report on Hong Kong trade by W. H. Mitchell, sent home by Governor Bonham in 1850. Some were tendentious like that of Robert Montgomery Martin in 1845, but they provide valuable evidence nevertheless. The annual proceedings of an important body such as the Hong Kong General Chamber of Commerce come into this category.

The remaining sources are private papers, newspaper reports and accounts by private individuals. Also included in this collection of documents are specially compiled tables of figures such as selected statistics taken from the mass of information supplied by the Chinese Maritime Customs Service. These have value, but their limitation rests on the fact of their selection; they do not therefore speak for themselves so much as indicate what the compiler has in mind.

The problem regarding the choice of documents is not always an easy one to resolve. Relevance is clearly the dominating factor, but this criterion is not as simple as it appears. For example, constitutional issues and the question of representation of merchant opinion in the Legislative Council might well have been, and the writer believes was, a not unimportant factor in the development of Hong Kong as an entrepôt centre because of the pressure they were able to exercise if necessary to bring official Colonial Office policy into line with the commercial needs of Hong Kong. One criterion of some practical importance is whether a document is available to the general reader or not, for clearly, given documents of equal relevance to select those not generally available would be preferred to those that were. Most of the important documents were in fact printed, often as the result of a demand by Parliament for information, and are to be found in Blue Books, but many appear in print in this book for the first time. Again, by the same criterion unprinted source material is to be preferred to that already printed assuming they have the desired minimum of relevance. For all these reasons, the selection of documents has been on broad lines and the criterion of relevance has been tempered by the considerations mentioned to give the subject a broad interpretation. There is one other

difficulty that of deciding whether to give a document complete as it stands or to give selected extracts. Clearly, only the whole document can be allowed to speak for itself, and selected excerpts tend to prejudge the issue by allowing the reader to see only what the author wishes him to see. It is a question of space sometimes, and of giving the reader only what is strictly relevant to save him from having to read a mass of tiresome matter which does not add to the comprehension of the main theme. The compiler can only plead that the excerpts, where given, have been carefully chosen and that relevant parts have not been omitted. Generally, the documents have been given as found, but occasionally some minor editing has been done regarding punctuation, since many 19th century officials seem to have had only a cursory acquaintance with the principles of that art.

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SELECT DOCUMENTS

I. GRIEVANCES AT CANTON AND THE FOUNDING OF HONG KONG

Hong Kong was occupied by the British in January 1841 and declared a British Colony in June 1843. It arose out of the rupture of commercial relations between Britain and China at Canton to which City western trade with China had been restricted since 1755. The East India Company enjoyed a monopoly of British trade there until 1833, but for some years had increasingly concentrated on the highly profitable export of tea and licensed private traders to handle the "Country trade" between India and China. For some time it denied the right to reside at Canton to the private "country" traders who, however, were able to circumvent this difficulty by the device of acting as consuls for foreign states. The abolition of the Company's control led to a rapid expansion of trade and by 1837 there was a vigorous foreign community of 308, chiefly British, mostly employed by the 57 foreign firms or agency houses.

There was a similar monopoly on the Chinese side, held by a group of merchants called the Co-hong who had bought the privilege; trading as individuals and not corporately, they were not merely security merchants for the western traders, but were held responsible for their behaviour, since all non-Chinese were regarded as barbarians; they also served as the channel of communication between the foreigners and the provincial officials.

The western traders had many grievances. Residence at Canton was confined to the trading season, and restricted to a small factory area except for three supervised excursions per month across the river; and there were other personal restrictions regarding the hire of Chinese as servants, the use of sedan chairs and the learning of the Chinese language, but they were not always enforced. Commercial grievances concerned the Canton and Co-hong monopolies, and arbitrary variations in charges on shipping and trade. Unavailing efforts were made by British embassies in 1793 and 1816 to improve conditions at Canton and in 1834 a British Superintendent of Trade, Lord Napier, was sent to exercise control after the Company's monopoly was abolished, but he failed to secure recognition and retired, a sick man, to Macao where he died. His mission had lasted barely three months. His successors fared little better. Opinion began to gain ground that a solution could come only by force, and this course was advocated by the British merchants in Canton in a Petition to the Crown in December 1834, after the Napier incident. Many demanded an Island trading station under the British flag as the most efficacious means of freeing themselves from Chinese arbitrariness.

The solution came following hostilities which broke out in 1839 as a result of disputes over the contraband trade in opium.

Between 1820 and 1839 this traffic almost quadrupled in value and led to a reversal of the balance of trade and the outflow of silver from China. In 1839 Lin Tse-hsu was sent to Canton as special commissioner to enquire into and suppress the opium trade. He adopted the traditional methods of stopping all trade and withdrawing all services from the merchants, virtually imprisoning them in the Factories, including Captain Charles Elliot who came to Canton on receiving news of the trouble. Lin also demanded the surrender of all existing stocks of opium, and the signing of a bond by masters of vessels, embodying an undertaking that they would henceforward not carry opium to China under penalty of death. This action against the persons of the traders and of the British Superintendent was made the occasion of a demand by the British Government for a diplomatic settlement with China aimed at the security of British trade and recognition of British official representatives.

Palmerston, the British Foreign Secretary, demanded greater freedom of trade by the opening of additional ports and the abolition of the Co-hong monopoly, and greater security for British traders to be achieved either by a commercial treaty giving adequate guarantees regarding conditions under which the trade should be carried on, or alternatively, by the cession of an island in which they could live under the protection of their own laws.

Captain Charles Elliot was recalled for conducting the hostilities with excessive regard for Chinese susceptibilities, and replaced by Sir Henry Pottinger. In August 1842 hostilities were brought to an end by Chinese acceptance of the British demands in the Treaty of Nanking, and Pottinger was able to secure guarantees for the future by gaining both the desired commercial treaty and the cession of the Island of Hong Kong.

This section is an introductory one, and the documents 1 and 2 illustrate the main British grievances; the 3rd document gives the last re-issue of the Chinese regulations governing western commerce and residence at Canton. The terms of the Treaty of Nanking and of the Supplementary Treaty of the Bogue of October 1843 and the General Regulations governing the China trade which were negotiated at the same time as the new tariff and later incorporated as section 2 of the Treaty of the Bogue, are also given.

DOCUMENT No. 1

Extracts from a Letter from Secret Commercial Committee
to the Rt. Hon. Lord Amherst, Ambassador, etc. etc. etc.

Dated 17th January, 1816

My Lord,

1. His Royal Highness the Prince Regent having in consequence of the representations of the East India Company been graciously pleased to determine on the measure of sending an Embassy to the Emperor of China, and having selected your Lordship to fill the first place in that High Commission, you will doubtless receive from the Ministers of His Royal Highness, such Instructions as they may deem proper to be given by the Government of this Country, for the conduct of the delicate and important negotiation committed chiefly to your Care. Yet, as the interests to be agitated in that Negotiation, though ultimately those of the Nation, are more immediately the interests of the East India Company, and to them of the greatest value, we trust it will appear proper, that we also should, on behalf of the Company, address your Lordship on this occasion, and enter with rather more particularity than may perhaps suit a Public Dispatch, into the *Causes* which have led to the present measure of an Embassy to China; the *Objects* which, as we conceive, are now chiefly to be sought in a Negotiation there; and such relative *Observations* as may be likely to afford any useful information or suggestion in the difficult work of treating with a Court which has shown singular indisposition to diplomatic intercourse and free communication, especially with Europeans.

2. The *Causes* which in the opinion of the Company's Administration in China, of the Court of Directors, and of the Prince Regent's Government, have rendered a Mission from this Country expedient, are the insolent, capricious, vexatious proceedings which the local Government of Canton has for some time past held towards the Company's Representatives there, by which they have obstructed, and embarrassed the conduct of the Company's Commerce, have shewn it to be exposed to arbitrary interruption, — to uncertainty and insecurity. All which are highly prejudicial to concerns of such magnitude and importance to which the idea of permanence is essential. These proceedings have also rendered the task of the Supra-Cargoes in upholding the interests of their employers extremely difficult, and they beget a reasonable apprehension, lest the wanton exercise of power, in a Government little under the influence of public principle or private honour, should lead to an entire stoppage of the Trade, either by the immediate act of the local Government itself, or by compelling the Supra-Cargoes, on their part, to have recourse to that extreme measure, in order to avoid the still worse alternative of yielding to despotic imposition, which might be expected to derive further encouragement from submission.

3. The *Objects* to be aimed at in the Negotiation, which your Lordship will have to conduct, are generally in our humble judgment, a removal of the grievances which have been experienced, and exemption from them, and others of the like nature for the time to come; with the Establishment of the Company's Trade upon a secure, solid, equitable footing, free from the capricious arbitrary aggressions of the local Authorities, and under the protection of the Emperor, and the sanction of Regulations to be appointed by himself.

4. The details of the proceedings above alluded to, which occurred chiefly in the Years 1813 and 1814 will be found in the Consultations and Letters of the Supra-Cargoes of which a pretty large collection, extending to the early part of the present year, has been prepared, and is herewith transmitted to your Lordship.

5. A brief abstract of these details is contained in a Letter which we had the honour to address to Lord Buckinghamshire under date the 28th July last, in explanation of the reasons which appeared to recommend the interposition of the Sovereign of this Country with the Court of Pekin, and in the same Letter there is a succinct enumeration of the principal points to be proposed and contended for by the Embassy. Of this Letter, a Copy is also furnished to your Lordship; and the information contained in it and in the before mentioned larger Documents from the Supra-Cargoes, renders it unnecessary to go into any ample statement here of the same things. We shall therefore, only recapitulate shortly from the Letter, the principal aggressions of which the Supra-Cargoes complain, and the remedies which appear to be requisite.

First. Under the head of aggressions are to be noted.

- 1stly. The attempt of the local authorities of Canton in the year 1813, to interfere in the case of Mr. Roberts with the Company's nomination of the managers of their Affairs, and, in effect, to introduce a principle which would make the sanction of that Government necessary to such nomination, and go to place the whole of the European Trade with that Empire, under their control.
- 2ndly. Another attempt of one of the Authorities in the same Year, to establish what is termed the System of Co-hong; that is, to confine the Company's Dealings and the whole European Trade of Canton, to two or three Native Merchants, who would thus have the power of regulating the prices of purchases and Sales, or in other words a strict Monopoly; and would become most convenient and effectual instruments of the venal views of the Chinese Functionaries, to the consequent oppression and injury of all other Traders.
- 3rdly. Prohibiting in the Year 1814, the Natives of China from serving in the English Factory, and from communication with the Supra-Cargoes.

- 4thly. Seizing, beating and imprisoning the Chinese Linguist, who had been employed by the Supra-Cargoes, on the ground of his attachment to, and connection with them; and even reporting him to the Emperor to be engaged in treasonable practices with them.
- 5thly. Returning the Address of the Supra-Cargoes to the Canton Authorities unopened.
- 6thly. Requiring the Supra-Cargoes to address them always in the English Language, instead of the Chinese, which had been used of late Years with manifest advantage; and the discontinuance of which would leave it in the power of the Authorities to give what translations they pleased of the English Addresses.
- 7thly. The local Authorities in the Edicts promulgated by them, used very offensive language towards the Supra-Cargoes; and in their personal behaviour towards them, were contemptuous and insulting, proceeding so far in one case, as without any previous notice, to enter the English Factory which the Supra-Cargoes considered as a gross violation of the privilege, till then enjoyed, by the British Nation.
- 8thly. The conduct of the Local Government at length became so hostile as to render it, in the judgment of the Supra-Cargoes, their duty to proceed themselves to the suspension of the British Trade.

6. Your Lordship will observe from the Papers, that the foregoing transactions in the Year 1814, were by the Chinese Authorities, connected with certain operations of His Majesty's Frigate Doris on the Coast of China, which the Canton Government represented as a violation of the laws of Neutrality and the rights of the Empire. And their allegations on this head, though strained beyond the truth, appear not to have been without foundation. Upon that circumstance, though extremely to be lamented, it is not our province to comment. We know that the Prince Regent's Ministers are quite alive to it, and doubt not they have taken proper measures to prevent the recurrence of so serious an inconvenience, and to prepare a satisfactory explanation of it through your Lordship to the Imperial Government, which may be very material in opening your Lordship's way to a successful representation of the grievances of which the Company complain.

7. We notice the subject here partly in order to remark, that the conduct of the local Government, respecting it, indicated not merely resentment of the alleged injury, but pre-existing hostility, and a venal partiality to the American Ships then at Canton, in which the Chinese Merchants were deeply interested; and thence used all their arts to influence the Government in their favour.

8. The Papers sufficiently shew that the vigorous determination of the Select Committee to stop the Company's Trade, had the

effect of bringing, for that time, the local authorities in a good degree to reason. But it will also appear that the Committee placed no reliance upon the continuance of tranquillity. They have stated their conviction that if the disputes of 1814, could have been avoided, the strong measure they then adopted, would have been necessary a year or two afterwards. The Canton Government appear to entertain a permanent wish to bring the British Factory wholly under their own control. They could then carry on venal and collusive practices against the European Trade more securely, and deceive the Emperor from whom they now conceal the truth with less danger of discovery. These, however, are very cogent reasons, in addition to the other motives which have been stated, for opening a direct communication with His Imperial Majesty, by such an Embassy as your Lordship is now appointed to conduct.

9. *Secondly* — The *Objects* to be sought are, in our opinion, principally those stated in the Letter to Lord Buckinghamshire, already mentioned, in which they are described nearly as follows:—

"*First*. Protection from the violence and injustice of the local Government, and, in order thereto, the privileges of the Company to be more accurately defined and detailed."

"*Second*. Security for the continuance of the Trade, (whilst we observe the prescribed Laws and Regulations) against sudden and capricious interruptions — a Security necessary where such great property is embarked; and the Mercantile transactions requisite for its transfer and circulation, cannot be carried on without confidence."

"The Supra-Cargoes to be also secured in the privilege of employing and dealing with such Native Merchants as they may see fit."

"*Third*. 'A Regulation securing freedom from the intrusion of Chinese Officers into the Company's Factory; permission to the Members of the Factory to engage Chinese Servants; exemption from abusive, contemptuous, or insolent treatment from the Chinese Functionaries."

"*Fourth*. 'An open channel of communication between the Members of the Factory, and some public Department or Tribunal, at Pekin, either by a British Resident there, or by written representations in the Chinese Language, and a confirmation of the right of using that Language in all addresses or representations to the local or Imperial Government.'"

"*Fifth*. 'Other points which the experience of the Supra-Cargoes in the transaction of business there may suggest as requiring melioration, and as fit matter of discussion. (Among these may be particularized the Regulation of the Article of duties in whatever way that shall be found requisite, and a just satisfaction for all claims on Native Merchants without subjecting the Company's Trade to any New impost, in order to make up deficiencies of that nature'.)"

"Sixth. 'Lastly to give such explanation as may be requisite respecting the affair of the Doris, or any other subject of a Political nature, on which it may be found expedient to touch.'"

"The general scope of these propositions, is as before intimated, to place the trade of this Country with China, on steady and fixed principles, which shall guard it from the fatal effects of an arbitrary capricious or unjust exercise of power, and if this benefit alone were obtained for the Trade upon its present scale, it would obviously be a very valuable acquisition, especially at a time when the steady continuance of the Commerce is become of such peculiar importance to the Company.

. . .

19. We are however aware that the public interest is not the only one likely to be guarded in the discussion of this subject. The local Functionaries of Canton, their patrons at Court, and all who look to succeed to such situations, may be expected to do their utmost to stifle the truth, to dis-credit the complaints of the Company's Servants, to misrepresent their conduct, to baffle inquiry, and, in a word, to defeat the objects of the Mission. This may prove to be the greatest danger your Lordship will have to encounter. It is one respecting which detailed minute advice cannot well be offered from this Country. The experience and local knowledge of the Company's Servants who are to be employed with your Lordship in the Embassy will here be especially required; We doubt not also greatly useful: and we are persuaded your Lordship will avail yourself of the aids to be derived from them; and of all occurring circumstances, to manage this most delicate and important part of the Negotiation in the happiest manner. It may perhaps be found sufficient without going into any particular statement of past grievances, in the first place, to solicit in general the protection of His Imperial Majesty to the Subjects and Commerce of this Country, and then to bring forward propositions for the regulation of the Trade which shall be calculated to prevent such evils in future; and even in proceeding to the subject in this way a cautious and gradual approach to it may be requisite.

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27. Upon the ground of this argument and of general justice, of the vast property embarked in the Trade, and the necessity of certainty and security in carrying it on, of the dignity of Great Britain, which entitles its subjects to honourable treatment, and in all other Countries secures it to them; on the ground in fine of the mutual interests of both Nations, we conceive the Emperor may be solicited to grant by some authentic Act or Regulation, security and protection, on solid and recognized principles, to the Trade and the Representatives of the Company in all the particulars above enumerated, and any others which the Supra-Cargoes may find just reason to add.

28. Exemption from all the degrading treatment before described of the local Authorities both in respect to the conduct of the Trade, and the persons of the Company's Servants, is a thing

so reasonable in itself, and so consonant to the true interest of Government, that it would seem only to require the fair proposal of it to the Emperor: But in some other of the points already noticed, and those material to the welfare of our China system, the Emperor himself and his Council may not be so ready to acquiesce. We allude to the attempt made first to interfere with the Company's Appointments of European Servants for the management of their Affairs; and secondly to throw the whole Native Agency in those Affairs into the hands of two or three Individuals, who would thus become the Arbiters of the prices of purchases and Sales; and in short Monopolists of the whole Trade as has been already explained. This last project is not one of new invention, it has been long entertained by the local Authorities, brought forward at different times, and once it had a temporary success under the denomination of Co-hong: But that association was by the efforts of the Supra-Cargoes, abolished in the Year 1770. The recent attempt however is peculiarly formidable, because it is understood to have originated in an Edict from Pekin, which whether procured or not by the intrigues of the people of Canton, engages the Imperial Government as a party in it. It is a scheme, we are assured, fraught with extreme danger to our interests and therefore necessarily to be deprecated and opposed. But it will require all the sagacity and delicacy of the Ambassador to resist it, if in progress; or if unhappily it has been enforced, to obtain its abolition.

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30. There is still another point noticed in our Letter to Lord Buckinghamshire, which is obviously of great importance, the Establishment of an European Resident on the part of the Company or of Government at Pekin. We are aware that a proposition to this effect was made to Lord Macartney, and positively refused in the above-mentioned Letter from the late Emperor to His Majesty. Perhaps the same objections may still exist on the part of the Chinese Court and the proposition must necessarily be obnoxious to all the local authorities, and their connections at Pekin. But the measure would so essentially contribute to the preservation of good understanding between the two Governments, the repression of mal-administration at Canton and the general benefit of the Trade, in which so many thousands of the subjects of China are concerned, that it is clearly for the interest of the Government of that Country to adopt it; and it may be represented to them that as from the want of prescribed means of free communication between the Canton Authorities and the English Residents it has happened that selfish Men have found opportunities of misrepresenting the English Character and views; so all evils of this nature can be best obviated by the residence of an European near the seat of Government. We are satisfied your Lordship's judgment will appreciate so highly the advantage which would result from the concession of such a point to the Company, that your utmost efforts and those of the Gentlemen associated with you, will be exerted to accomplish it. Much however as we appreciate this object, and wish for its attainment, it is possible you may find the Imperial Court in a disposition less likely to recede from its former cautious policy, than to entertain renewed jealousy of any proposition tending to the extension of our footing in China. Should this indeed appear to be the case, we must leave it to your Lordship's judgment whether to bring forward the present question at all. For

most desirable as success would certainly be, it must be better not to make the attempt, if the only effect should be to excite a suspicion which might render the obtainment of the grand objects of the Mission more difficult. On the supposition that the consent of the Chinese Government could not be procured to the Establishment of an English Resident at Pekin, it has been suggested to propose to them the admission on the part of His Majesty of an English Consul at Canton, as likely to improve the means of Communication, and to prevent or more easily obviate differences and misunderstandings, between the local authorities and the Supra-Cargoes. We believe the measure would be calculated to serve these ends, provided the Consul were allowed to mediate for the purposes just mentioned; and we should be much pleased to obtain even such a concession. But if the Consul were to have no other powers than those now possessed by the Consuls whom the Americans and Prussians appoint, they would amount only to such powers as our Chiefs have always exercised. And we should fear that with respect to powers of a superior description they may probably be viewed by the Chinese with the same disinclination with which they regard every other attempt to meliorate our condition in that Country. They might object to it also as establishing a kind of Arbiter on the part of the King between his subjects, and those of China; and perhaps an Officer bearing a Commission from His Majesty would find it difficult, without seeming to compromise the honour of his Sovereign, to submit to things which the Representatives of the Company have deemed it expedient to bear with. Still however the suggestion is worthy of being discussed with the Members of the Select Committee: And if your Lordship finds that it is fit to be pursued, and that it may be acted upon with any hope of success, we trust your best offices will be employed to bring it to effect; in which case we hold it to be perfectly clear that the powers of the Consulate should be vested in the President of the Select Committee for the time being; because placed in any other hands, they might rather divide and embarrass than strengthen the British Authority there.

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43. It becomes necessary however to notice here that long after the composition of the Embassy was fixed, His Majesty's Ministers began to entertain serious doubts of the expediency of forming the Embassy in that manner. These doubts arose from a consideration of the fastidious character of the Chinese Court, — of the inferior rank it assigns to Men of the Commercial Class, in which light only it would regard Messrs. Elphinstone and Staunton, of the disputes which had arisen with our Factory chiefly represented by these two Gentlemen, — and of the personal accusation advanced by the Chinese against Sir Geo. Staunton from all which, apprehensions began to be entertained, that a Mission so composed might be unacceptable to the Chinese Government and the objects of it be endangered at the very outset. Other persons, who were acquainted with the temper of that Government, and also entertained a very favourable opinion of the Gentlemen in question, expressed sentiments of the same nature. They thought such an association would lower the estimation of the Embassy in the eyes of the Chinese; indicate at once that it proceeded in a great measure from the Company, and probably suggest also the nature of the objects it had in view: thus adding perhaps dangerously to the difficulties of an

arduous undertaking. These opinions excited the alarm of the Prince Regent's Ministers, who fearful lest the success of the Mission should be marred by a determined adherence to the arrangement first adopted, and thinking the great depending Interests of the Company and the Nation ought not to be hazarded for the sake of maintaining that arrangement at all events, they, as we understand, have determined that in the Commission, appointing your Lordship, Mr. Elphinstone, and Sir Geo. Staunton, the Ambassadors of the Prince Regent, a clause shall be inserted making the Agency of the two Gentlemen last named conditional, that is to be exercised only, provided it can be done without injury to the objects in view, without the danger of giving umbrage to the Imperial Court, or of raising additional obstacles in treating with it. Though we are inclined to believe that nothing less than the fear of frustrating the design of the Mission would dispose the Court of Directors to give their assent to this change; and are sure, as to ourselves, that such a consideration alone could induce us to acquiesce in it, yet judging also that if it were convenient to introduce into the Court and discussion on so delicate a point, they would not think it their duty to risk the whole success of the Mission, or rather to prevent its proceeding, after being so far advanced, by contending at all events for the first arrangement and the sentiments by which we conceive they would be actuated being also our own we have not felt it allowable to oppose the modification of the Commission, which as emanating from the Crown, cannot, if issued at all, issue in terms contrary to the Will of the Sovereign. It may be observed however that the change must be in any case less essential, because there was a stipulation from the beginning that the first Ambassador was to possess an extraordinary power of acting on his own responsibility in opposition to the sentiments of his Colleagues. And we are so satisfied of the Public Spirit of Messrs. Elphinstone and Staunton, as to believe that if they saw the interest of the Embassy likely to suffer by their being joined in it, they would themselves choose to decline acting. We have an equally strong persuasion that it will be your Lordship's wish if possible to have their able assistance as coadjutors in the Work you have undertaken. But if it should be thought on the whole, expedient that they should not act as Members of the Embassy, the Commission constituting your Lordship and these Gentlemen joint Ambassadors, will not be extinct, but remain dormant; and it may perhaps be practicable for your Lordship to consult with them as Coadjutors though they do not act ostensibly as such. However it may be found expedient to settle this point, the services of Sir George Staunton as the chief medium of communication between the Chinese Government and the Embassy, will be so essential, that we trust nothing will deprive the Company of the benefit of them even if they should be rendered without his being a Member of the Embassy.

DOCUMENT NO. 2

A Petition of British Subjects in China, praying
for the permanent residence, at Peking, of a Representative of His Majesty, to protect the interests of his
Countrymen [Presented to the Honourable House of Commons,
on the 28th of June, 1831]

"To the Honourable the Commons of the
United Kingdom of Great Britain and
Ireland, in Parliament assembled."

THE HUMBLE PETITION OF BRITISH SUBJECTS IN CHINA

Humbly Showeth,

That Your Petitioners, having long submitted in silence to the absolute and corrupt rule of the Chinese Government, consider it a duty alike owing to their Country and to Themselves, to bring their Grievances to the notice of Your Honourable House at this important crisis, when the regulation of British intercourse with China engages the attention of the Legislature, in consequence of the approaching termination of the East India Company's Charter.

"While British intercourse with every other considerable State in the world is regulated by international Treaties, that with the Chinese Empire is abandoned to the arbitrary control of the local authorities of Canton, a venal and corrupt class of persons, who, having purchased their appointments, study only the means of amassing wealth by extortion and injustice, equally unrestrained by their own, and unopposed by the Governments whose subjects they oppress; for the attainment of this end, severe burthens are imposed upon Commerce, unsanctioned by, and frequently in defiance of, commands from the Imperial Government at Peking, to which the most unfounded reports are made of occurrences in this remote province, while no means of counteraction, by opposing statements, are in any way afforded to Your Petitioners."

"From the earliest periods of British Subjects resorting to this Empire, Trade has been the sole object, a desire to promote which, and sometimes, it must be admitted, a nervous anxiety for its preservation, have subjected foreigners to privations and treatment to which it would be difficult to find a parallel in any part of the world. China was too remote from England, and the commerce was too limited, to render it in former years a subject of much national interest; but during the whole of the eighteenth, and still more during the present century, it has been gradually increasing, in defiance of Chinese restrictions, until it has reached a point of such important magnitude, as Your Petitioners feel satisfied will raise the anxiety of Your Honourable House to place it, if it be possible, upon a permanent and honourable basis."

"Your Petitioners entertain a firm belief that much may be obtained from the fears, but that nothing will ever be conceded by the good will of the Chinese Government. In confirmation of this opinion, the attention of Your Honourable House need only be entreated to the total failure of both the Embassies to the Court of Peking, in every

respect, except the high principle which was maintained in the refusal to acquiesce in humiliating and degrading requisitions, which, Your Petitioners are convinced, produced a moral effect of the most beneficial tendency upon the minds of the Chinese. That these Embassies were undertaken with a view to the improvement of the condition of British Subjects in China, Your Petitioners are deeply sensible, and indeed find this expressed in the instructions from His Majesty's Ministers to Lord Macartney: 'Under these circumstances, it would become the dignity and character of His Majesty to extend his paternal regard to these his distant subjects, even if the commerce and prosperity of the nation were not concerned in their success, and to claim the Emperor of China's particular protection of them, with that weight which is due to the requisition of one great Sovereign to another.' Your Petitioners trust that His Majesty's Government may ever be influenced by similar opinions. It is with considerable regret, however, that Your Petitioners make another brief extract from the same Instructions, unhappily still descriptive of the condition in which they remain: 'Hitherto, however, Great Britain has been obliged to pursue the trade with that country under circumstances the most discouraging, hazardous to its agents employed in conducting it, and precarious to the various interests involved in it; the only place where His Majesty's subjects have the privilege of a factory is at Canton; the fair competition of the market is there destroyed by associations of the Chinese; our Supra-Cargoes are denied open access to the tribunals of the country, and to the equal execution of its laws, and are kept altogether in a most arbitrary state of depression, ill suited to the importance of the concerns which are intrusted to their care, and scarcely compatible with the regulations of civilized society'."

"The result of the two British Embassies, in common with those of all other European Governments, will forcibly suggest to Your Honourable House, how little is to be gained in China by any of the refinements in diplomacy."

"The whole history of foreign intercourse with this Country demonstrates, that a firm opposition to the arrogance and unreasonable pretensions of its Government, even with imperfect means, has, sooner or later, been followed by an amicable and conciliatory disposition. While the Portuguese of Macao maintained their independence, they were treated by the Chinese Government with respect, and carried on an extensive and advantageous commerce; but when they adopted a servile course of policy, they were regarded with contempt; and a flourishing colony has gradually sunk into misery and decay. Even violence has frequently received friendly treatment at the hands of this Government, while obedience and conformity to its arbitrary laws have met only with the return of severity and oppression. In the history of English commerce with China, many instances of this description exist: When Admiral Drury, in compliance with the reiterated commands of the Canton Government, yielded up possession of Macao, which for several months had been garrisoned by a British force, the most contumelious and threatening proclamations were issued against him, he was declared to have fled from a dread of the punishment which awaited him. About the same period, after a horde of pirates, well known by the name of 'Ladrones', had for a succession of years ravaged the southern coasts of the empire, and committed numerous atrocities,

their leader, a man of bold and determined character, was received in person by the Viceroy with every mark of respect, invested with a robe of honour, and ultimately nominated to an important official situation.

. . .

"Your Petitioners will now briefly advert to some of the principal Commercial Disabilities to which they are subjected: English ships were formerly admitted to trade at various ports, Amoy, Limpo, and the Islands of Chusan and Formosa, but of late the entire foreign commerce of this vast Empire has been restricted to the single port of Canton, where the exorbitant harbour does operate as a virtual exclusion of the smaller class of shipping; while the privilege of dealing with foreigners is confined to some ten or twelve licensed native Merchants. Such is the oppressive conduct of the local authorities towards these individuals, by a systematic course of constantly-recurring exactions, and generally harsh treatment, that respectable and wealthy men cannot be prevailed on to accept the privilege, though earnestly urged by the Government to do so, for the purpose of supplying vacancies arising from deaths and bankruptcies. The Government being thus unable to maintain in an efficient state the limited medium of intercourse which they have established, and prohibiting foreigners from renting warehouses in which to deposit their cargoes, there is no adequate competition, nor any chance of obtaining the fair market value of a commodity; an evil the more deeply felt in consequence of nearly all the imports in the year necessarily arriving about the same time, during the few months when the periodical winds are favourable in the China Sea. From the moment a foreign vessel arrives, her business is liable to be delayed by underlings of the Custom-house, on frivolous pretexts, for the sake of extorting unauthorized charges; the duty on her import cargo is levied in an arbitrary manner, by low, unprincipled men, who openly demand bribes; it is consequently of uncertain amount, and, by the addition of local exactions, exceeds by many times the rate prescribed by the Imperial Tariff, which appears to be in general moderate, although so little attended to in practice, that it is scarcely possible to name any fixed charge, except on a very few articles."

"It is unnecessary to occupy the time of your Honourable House, by dwelling on the individual and national loss arising from this oppressive and corrupt system: it would be equally out of place to enter into a detail of the many studied indignities heaped upon foreigners by the acts of this Government, and by contumelious edicts placarded on the walls of their very houses, representing them as addicted to the most revolting crimes, with no other object than to stamp them in the eyes of the people as a barbarous, ignorant, and depraved race, every way inferior to themselves; thereby exciting the lower orders to treat them with habitual insolence. Suffice it to say, that no privation or discomfort is too minute to escape notice in the pursuit of this ever-present purpose; free air and exercise are curtailed, by precluding access to the country or beyond the confined streets in the immediate vicinity of their habitations; even the sacred ties of domestic life are disregarded, in the separation of husband and wife, parent and child; rendered unavoidable by a capricious prohibition against foreign ladies residing

in Canton, for which there appears to be no known law, and no other authority than the plea of usage."

. . .

"The successful termination of the Burmese War, and the approximation of British dominion in India to the confines of China, are well known in this country; and a remonstrance from the British Government would, Your Petitioners have reason to believe, be received with a deference and attention never yet accorded to any Embassy; all of which have been conducted on the erroneous principle of attempting to negotiate for that which, if firmly demanded, could not have been withheld, while the Ammassadors have been designated 'Tribute Bearers', and recognized in no other light than that of public officers, deputed by inferior princes to offer presents and acknowledge vassalage to the supreme sovereign on earth. But Your Petitioners cannot deny to the Chinese Government the credit of having hitherto successfully triumphed over European power and dignity: the Ruler of this most ancient Empire has seen the representatives of the Monarchs of other countries bear tribute to his throne, and in many instances prostrate themselves in the dust before him, while he has treated their abject and submissive spirit with the general indifference which it deserved."

"Unless, through the direct intervention of His Majesty's Government, in communication with the Court of Peking, Your Petitioners fear that no material extension of British Commerce, or effectual amelioration of the humiliating condition of British Subjects in China, can be expected. If unattainable by the course suggested, Your Petitioners indulge a hope that the Government of Great Britain, with the sanction of the Legislature, will adopt a resolution worthy of the Nation, and, by the acquisition of an insular possession near the coast of China, place British Commerce in this remote quarter of the globe beyond the reach of future despotism and oppression."

"Your Petitioners therefore humbly pray, that Your Honourable House will take the premises into Your consideration, and grant such relief as to Your wisdom may appear expedient.

[Signed by Forty-one Persons.]

"Canton in China,
the 24th day of December, 1830"

DOCUMENT NO. 3

A memorial from the Canton Government to the Emperor, with eight regulations restrictive of foreign trade

"A reverent memorial, respecting restrictive regulations, determined on for the direction of the trade, and of barbarians, is hereby presented, imploring the sacred glance to be cast thereon."

"With reference to barbarians from beyond the outer seas, coming to Canton to trade, since the time when, in the 25th year of Keen-Lung, (1760), restrictive enactments were fixed by a representation (to the throne), there have also been further regulations, from time to time, namely, in the 14th year of Keaking, (1810), and in the 11th year of Taoukwang, (1831), determined on, by the several former Governors and Lieutenant-Governors; and on representation (to the throne) the same have been sanctioned; obedience has been paid to them; and they have become established laws. These have been completed and effectual. But in length of days, wherein they have been in operation, either they have in the end become a dead letter, or there have gradually sprung up unrestrained offences."

"Last year the English Company was ended and dissolved. The said nation's merchants come at their own option to trade. There is none having a general control. Although commands have been issued to the said barbarian merchants, to send a letter home to their country, to continue the appointment of a Taepan who shall come to Canton, for the direction and control (of affairs); yet, as the merchants are now many, and individuals are mingled together, while affairs are under no united jurisdiction, it is necessarily required that regulations should be enacted and published, in order to furnish matter to be obeyed and adhered to. But the affairs of time have variations of present and past; and, since the English barbarians' Company is dissolved, the attendant circumstances of commerce are also slightly different from what they before were."

"Besides those old regulations, respecting which it is unnecessary further to deliberate, but all which, as formerly, continue to be distinctly enumerated in plain commands: and, besides the regulations regarding the management of barbarian debts, and regarding the strict seizure of smugglers, both which have already been specially represented, there are still regulations which require to be reconsidered, for the purpose of adding or altering. These, we, your Majesty's Ministers, calling into Council with us the Porchingsze and Anchasse, have carefully deliberated upon."

"The rules of dignified decorum should be rendered awe-striking, in order to repress overstepping presumption; the bonds of intercourse should be closely drawn, in order to eradicate Chinese traitors; the restraints on egress and ingress should be diligently enforced; the responsible task of investigation and supervision should be carefully attended to. Then, surely, with regard to the restrictive enactments, will there be increasingly displayed minute care and diligence. At the same time, the Hong merchants should be strictly commanded to trade fairly and equitably, each regarding highly his respectability, in order that all the foreigners, thoroughly imbued with the sacred dew of favour, may universally quake with awe, and be filled with tender regard."

"Looking upwards, to aid our Sovereign's extreme desire to soothe into subjection the far-coming barbarians, and to give attention and weight to the maritime guard, we respectfully join these expressions, in a reverent and duly prepared memorial; and also take the eight regulations which we have determined on, and, making separately a fair copy thereof, respectfully offer them for the Imperial perusal; prostrate supplicating our Sovereign to cast the sacred glance thereon, and to impart instruction. A respectful memorial".

"Taoukwang, 15th year, 1st moon, 28th day. (February 25, 1835.)"

"We respectfully take eight additional and altered regulations, restrictive of the barbarians, whereon we have deliberated and decided; and, having attentively made a fair copy thereof, we, with reverence, offer them for the Imperial perusal."

1. The outside barbarians' ships of war conveying goods are not permitted to sail into the inner seas. It is requisite to enforce with strictness the prohibitory commands, and to make the Naval force responsible for keeping them off.

On examination, it appears, that the trading barbarians may bring ships of war to protect their goods themselves. This has, for a long time past, been the case. But the regulation hitherto existing only permits them to anchor in the outer seas, there waiting till the cargo vessels leave the port, and then sailing back with them. They are not allowed to presume to enter the maritime port. From the period of the reign of Keaking onwards, they have gradually failed to pay implicit obedience to the old rule; and last year, there was again an affair of irregularly pushing in through the maritime entrance. Although the said barbarians, sailing into the shallow waters of the inner river, can effect nothing in the least, yet restrictive measures always should be perfect and complete. With regard to the line of forts at the Bocca Tigris, there are now some additional erections, and some removals in progress; and, at the same time, more cannon are being cast, and measures of preparation and defence are being determined on. It is, besides this, requisite to enforce with strictness the regulations and prohibitions.

Hereafter, if a ship of war of any nation, conveying goods, presume to enter either of the maritime ports of Cross harbour, or the Bocca Tigris, the barbarian merchants' cargo vessels shall have their holds altogether closed, and their trade stopped, and, at the same time, she (the ship of war) shall be immediately driven out. The Naval Commander-in-Chief also shall be held responsible, whenever he meets with a ship of war of the outside barbarians anchored in the outer seas, to give commands immediately to all the officers and men of the forts, that they apply themselves to the object of keeping up preventive measures against the same; also to lead forth in person the naval squadron; to cruize about with them in guard of all the maritime entrances; and to unite their strength to that of the forts, for the purpose of guarding against (any such ship of war). Should the officers or soldiers be guilty of negligence and indolence, they shall be reported against with severity. It is imperatively necessary that the power of the naval

and land forces should be made to act in unbroken concert, so that the barbarian ships may have no way of irregularly pushing through.

2. When barbarians stealthily transport muskets and cannon, or clandestinely bring up foreign females or foreign sailors, to the provincial city, the Hong merchants shall be held responsible in all points, for investigating the matter.

It appears on examination, that barbarians may carry with them one sword, one rapier, and one gun, each; this the regulations do not prohibit. But if they presume, besides this, to bring cannon and muskets, or other military weapons, and foreign females, up to the provincial city, the fixed regulations hold the men and officers of the guard stations responsible for finding out and stopping them. The guard stations have indeed the responsible duty of searching and discovering; but the barbarian merchants at Canton, dwelling in the outside barbarians' factories, the apartments which they occupy are all rented by them from the Hong merchants. The said merchants' ears and eyes being so close to them, they certainly cannot be ignorant (of anything they do); it is evidently befitting that they should be held responsible for investigation and finding out.

Hereafter, the barbarians of every nation shall be utterly disallowed bringing up muskets, cannon, or other military weapons, or foreign females, or sailors, to the provincial city. If any should clandestinely bring them up, the Hong merchants from whom their factory is rented, shall be held responsible for discovering and preventing it, and for disallowing them to be brought into the factory; and for at the same time repairing to the local magistrate to report (any such attempt). Should he suffer, connive at, and conceal such, the said Hong merchant shall be punished according to the law against clandestine intercourse with outside nations. The officers and men of the guard stations, who fail to discover such misdemeanors, shall also be severally tried and rigorously punished, as guilty of failing to investigate, and wilfully conniving!

3. Pilots and compradors of barbarian ships, must have licenses from the Tungche of Macao; it must not be allowed that they should be privately hired.

It is found on examination, that in the office of the Tungche of Macao, there have hitherto been appointed fourteen pilots; and whenever a barbarian ship arrives in the sea outside of the Bocca Tigris, a report should be made to the said Tungche, that he may command a pilot to take the ship into the port. For the provisions and necessities required by the barbarian merchants on board the ship, a comprador should be employed, who is also selected from among men conspicuous in their native village for substance and property, and is appointed by the said Tungche to fill the station. Of late, there has constantly been a set of vagabonds in the outer seas, falsely acting in the capacity of pilots, who artfully make away with the goods of barbarians, and then run off. There has also been a class of vagabonds who craftily assume the name of compradors, and unlawfully combine for the purpose of smuggling, and other illegalities. When the thing is discovered, and search is made for them, their names and surnames having been falsely assumed, there are no means of finding and bringing them to trial.

Hereafter, the Tungche of Macao, when appointing pilots, shall ascertain fully, their age, and outward appearance, their native place and habits of life, and shall then give them a place in the list (of pilots), and also a sealed and signed waist-warrant*. A list also shall be kept of them, and a full report respecting them sent to the governor's office and to the Custom-house, to be there preserved. When they have to pilot in a barbarian ship, a sealed license shall be given to them, stating explicitly the names and surnames of the pilot and of the master of the ship; which when the guard stations have verified, they shall let the ship pass on. Any men without the sealed and signed waist-warrant, the barbarian ships must not hire and employ.

With regard to the compradors required by the barbarian ships, when anchored at Macao or Whampoa, they must all have waist-warrants given to them by the said Tungche, and must be subject at Macao, to examination by the said Tungche, and at Whampoa, to examination by the Pwanyeeheen magistrate. If the barbarian ships come in or go out contrary to the regulations, or if the barbarians clandestinely go about in small boats to places along the coast, rambling among the villages and farms, the pilots shall be brought to a strict investigation. And if there be any selling or purchasing of contraband goods, or any stealthy smuggling of goods liable to duty, and the compradors do not report the same according to the truth, their offences shall be rigorously punished.

4. With regard to hiring and employing natives in the barbarian factories, there must be limits and rules clearly settled.

On examination, it appears, that it was formerly the regulation that the trading barbarians should not be permitted to hire and employ any natives except linguists and compradors. In the 11th year of Taoukwang, it was, on representation (to the throne), permitted, that in the barbarian factories, for gate-keepers, and for carriers of water, and carriers of goods, natives might be hired for (foreigners) by the compradors. But the silly populace earnestly gallop after gain, and possess but little shame. And, adjoining the provincial city, are many persons who understand the barbarian speech. If the barbarians be allowed to hire them at their own pleasure, it will be difficult to prevent unlawful combination and traitorous procedure. It is evidently befitting that a limit and rule should be fixed, and that a special responsibility should be created.

Hereafter, in each barbarian factory, whatever the number of barbarians inhabiting it, whether few or many, it shall be permitted only to employ two gate-keepers, and four water-carriers: and each barbarian merchant may hire one man to keep his goods. It shall not be permitted to employ any more beyond this limited number. These men, the comprador of the barbarian factory shall be held responsible for hiring; the linguists shall be held responsible for securing and filling up the places of the compradors; and the

* This is a piece of wood with characters cut thereon, to be carried about the person, hence called "waist-warrant".

Hong merchants shall be held responsible for securing, and filling up the places of, the linguists. (This will be) a shutting-up regulation, extending through progressive grades. If there be any illicit combination, or breach of law, only the one who hired and stood security shall be answerable. At the same time, commands shall be given to the Superintending Hong merchants, to make out monthly a fair list of the names and birthplaces of the compradors and coolies under each barbarian's name, and hand it in to the district magistrate, to be kept in the archives, ready at any time to be examined. As to the carriers of goods, the linguists shall be commanded to hire them temporarily, when the time comes (that they are required); and when the business is finished, to send them back. As to the natives being hired, to become the menial attendants of barbarian merchants, under the name of shawan, (servants), it shall be eternally prohibited. Should barbarian merchants hire coolies beyond the limited number, or clandestinely hire shawan (servants) as menial attendants, the linguists and Hong merchants shall both receive punishment.

5. With regard to barbarians' vessels sailing about in the inner river, there should be reductions and limitations severally made, and the constant practice of idly rambling about should be prohibited.

It appears, on examination, that the barbarian trading vessels, when they enter the port, anchor at Whampoa. In going to and fro, between Canton and Macao, the English Company's skippers only have hitherto been permitted to travel in flag-bearing sampan boats. This kind of sampan is a boat with a rather large hull, and a deck over it, rendering it easy to carry in it military weapons and contraband goods. Now that the Company has been dissolved, all the flag-bearing sampan vessels should be done away with.

As to the barbarians residing in the barbarian factories, they are not permitted to presume to go in and out at their own pleasure. In the 21st year of Keaking (1816), during the period of the former governor, Tseang, being in office, it was arranged, that on three days in every month, namely the 8th, 18th, and 28th, they should be permitted to ramble about once, in the neighbourhood. Of late years, the said barbarians have continually disobeyed the old regulations, it is imperatively necessary to enforce powerfully the prohibitory commands.

Hereafter, all the barbarians, when their ships reach Whampoa, if they have any business requiring them to go to and fro, between Canton and Macao, or to interchange letters, shall only be permitted to use uncovered sampans, they may not again use flag-bearing sampan vessels. When the small sampans pass the custom-houses, they must wait until they are searched; and should they have in them contraband goods, or cannon, or other military weapons, they must be immediately driven out. The barbarians residing in the factories shall only be permitted to ramble about once a day, on the 8th, the 18th, and the 28th days of each month, in the neighbouring flower gardens, and the Hae-Chwang-sze temple (on Honan). Each time there must not be more than ten individuals, and they must be limited to the hour of 5 in the evening to return to their factories. They

must not be permitted to remain out to sleep or to drink liquor. If, when it is not the day when they may receive permission, they should go out to ramble, if they should exceed the number of ten individuals, or if they should go to other villages, hamlets, or market places, to ramble about, the Hong merchants and linguists shall both receive punishment.

6. When barbarians petition on any subject, they should in all cases petition through the medium of the Hong merchants, in order that the dignity of Government may be rendered impressive.

On examination, it appears, that the written characters of outside barbarians, and of the Central flowery people are not of the same nature. Among them (the former), there are some who have a rough knowledge of Chinese characters, but they are unacquainted with style and good diction, and are ignorant of the rules required for maintainance of dignity. When they petition on affairs, the expressions used are void of intelligent signification, and there is always much that it is difficult to explain. They also, in an irregular manner, adopt epistolary forms, and confusedly proceed to present papers themselves, greatly infringing the dignity of government. Moreover, that for one and the same barbarian affairs, petitions should be presented, either through the medium of the Hong merchants, or by barbarians themselves, is an inconsistent mode of acting.

Hereafter, on every occasion of barbarians making petitions on any affairs, they must always have the Hong merchants to petition and state the circumstances for them. It is unnecessary that they should themselves frame the expressions of the petitions. If there be an accusation to be brought against a Hong merchant, on any affair, and the Hong merchants may perhaps carry it oppressively, and refuse to petition for them, then the barbarians may be allowed to go themselves to the offices of the local magistrates, and bring forward their charges; and the Hong merchants shall be immediately brought to examination and trial.

7. In securing barbarian ships by Hong merchants, there should be employed both securities by engagement and securities by rotation, in order to eradicate clandestine illegalities.

It is found on examination, that when barbarian ships come to Canton, the old rule is, that they should be secured by all the Hong merchants in successive rotation, and if they transgress the laws, the security merchants are alone responsible. Afterwards it was apprehended that securing by rotation was attended by offences of grasping and oppressive dealing, and all the Keankeo barbarian (i.e. country) ships were therefore permitted themselves to invite Hongs to become their securities. Now, the Company has been dissolved, and the barbarian ships that come are scattered, dispersed, and without order; if the responsibility of being secured by the Hong merchants in rotation be again enforced, as formerly, it is apprehended that offences of extortionate oppression will arise. And yet, if suffered themselves to choose their securities, it is difficult to insure that there will not be acts of unlawful combination.

Hereafter, when the barbarian ships arrive at Canton, they shall still, as formerly, be permitted to invite Hongs wherein they have confidence, to become their engaged securities, and all the trade in goods, the requesting permits, the payment of duties, and the transaction of public affairs, shall be attended to by the engaged security merchant. In the payment of duties, the tariff regulations shall be conformed to; it shall not be allowed to make the smallest fractional addition. At the same time, to each vessel shall be appointed a security by rotation, which duty each of the Hongs shall fulfil in the order of successive routine. It shall be his special duty to examine and investigate affairs. If the engaged security merchant join with the barbarians to make sport of illegal practices and traitorous machinations, or secretly add to the amount of duties, or incur debts to the barbarians, the security merchant by rotation, shall be held responsible for giving information thereof according to the facts, that the other may be brought to an investigation, and that any debts may be reclaimed. If the security by rotation connive, he shall also on discovery be brought to an investigation.

8. If barbarian ships on the seas clandestinely sell goods chargeable with duty, the naval force should be held responsible for finding out and seizing the same. Also, communications should be sent to all the seaboard provinces requesting them to examine and investigate.

It appears, on examination, that when the barbarian ships of every nation bring goods to Canton, it is reasonably required that they should enter the port, pay measurement charges and duties, and sell off, through the medium of the Hong merchants. But the said barbarian vessels continually cast anchor in the outer seas, and delay entering the port, and some even do not at all enter the port, but return and sail away: not only storing up and selling opium, but also, it is feared, clandestinely disposing of foreign goods. We, your Majesty's Ministers, on every occasion of this being reported to us, have immediately replied by strict directions to the naval force, to urge and compel them to enter the ports, or if they will not enter the port to drive them instantly away, and not permit them to loiter about. We have also appointed officers at the various maritime entrances, to seize with strictness, smuggling vagabonds. In repeated instances, men and vessels going out to sea to sell opium have been seized, and on investigation, punishment has been inflicted. But the province of Canton has a line of coast continuous along the provinces of Fuhkeen, Chekeang, Keangsoo, and Teentsin (Chihle). Traitorous vagabonds of the several provinces sail in vessels of the sea on the outer ocean, and clandestinely buy and sell goods, dealing with the barbarians, and then carry back (their purchases) by sea. This class of traitorous dealers neither entering nor leaving by any of the sea-ports of Canton, there are no means of guarding against or seizing them. And the foreign goods having a divided consumption, the amount that enters the port is gradually lessened, the consequences of which on the duties are great.

Hereafter, the naval Commander-in-Chief should be held responsible for giving commands to the naval vessels to cruize about in

the outer seas in a constant course; and if there be any dealers approaching the barbarian ships, clandestinely to purchase foreign goods, immediately to seize them and give them over for trial and punishment. Also, regulations should be established, that vessels of the sea, of whatever province, when wanting to purchase foreign goods, shall all repair to the chief Custom-house of Canton, and request a sealed manifest, enumerating the goods and their quantities, and that none shall be permitted to make private purchases. Communications should be sent to the provinces of Fuhkeen Chekeang, &c., that general orders may be issued, requiring obedience to be paid to this, and that strict search may be maintained in all the sea-ports, that if any vessel of the sea bring back foreign goods, and it appears that she has not the sealed manifest of the Custom-house, they shall be immediately regarded as contraband, and on legal investigation, the vessel and cargo confiscated.

Taoukwang, 15th year, 2nd moon, 10th day. (March 8th, 1835).

DOCUMENT NO. 4

Treaty of Nanking

**Treaty between Her Majesty and the Emperor of China,
Signed, in the English and Chinese Languages, at
Nanking, August 29, 1842**

HER Majesty the Queen of the United Kingdom of Great Britain and Ireland, and His Majesty the Emperor of China, being desirous of putting an end to the misunderstandings and consequent hostilities which have arisen between the two countries, have resolved to conclude a Treaty for that Purpose, and have therefore named as their Plenipotentiaries, that is to say:-

Her Majesty the Queen of Great Britain and Ireland, Sir Henry Pottinger, Bart., a Major General in the service of the East India Company, &c., &c.;

And His Imperial Majesty the Emperor of China, the High Commissioners Keying, a Member of the Imperial House, a Guardian of the Crown Prince, and General of the garrison of Canton; and Elepoo, of the Imperial Kindred, graciously permitted to wear the insignia of the first rank, and the distinction of a peacock's feather, lately Minister and Governor-General, &c., and now Lieutenant-General commanding at Chapoo.*

Who, after having communicated to each other their respective Full Powers, and found them to be in good and due form, have agreed upon and concluded the following Articles:-

* Although only two Chinese Plenipotentiaries are here named, the Treaty was in fact signed by three.

ARTICLE I

There shall henceforward be Peace and Friendship between Her Majesty the Queen of the United Kingdom of Great Britain and Ireland and His Majesty the Emperor of China, and between their respective subjects, who shall enjoy full security and protection for their persons and property within the dominions of the other.

ARTICLE II

His Majesty the Emperor of China agrees, that British subjects, with their families and establishments, shall be allowed to reside, for the purpose of carrying on their mercantile pursuits, without molestation or restraint, at the cities and towns of Canton, Amoy, Foochowfoo, Ningpo, and Shanghai; and Her Majesty the Queen of Great Britain, &c., will appoint Superintendents, or Consular Officers, to reside at each of the above-named cities or towns, to be the medium of communication between the Chinese authorities and the said merchants, and to see that the just duties and other dues of the Chinese Government, as hereafter provided for, are duly discharged by Her Britannick Majesty's subjects.

ARTICLE III

It being obviously necessary and desirable that British subjects should have some port whereat they may careen and refit their ships when required, and keep stores for that purpose, His Majesty the Emperor of China cedes to Her Majesty the Queen of Great Britain, &c., the Island of Hong-Kong, to be possessed in perpetuity by Her Britannick Majesty, her Heirs and Successors, and to be governed by such laws and regulations as Her Majesty the Queen of Great Britain, &c., shall see fit to direct.

ARTICLE IV

The Emperor of China agrees to pay the sum of six millions of dollars, as the value of the opium which was delivered up at Canton in the month of March, 1839, as a ransom for the lives of Her Britannick Majesty's Superintendent and subjects, who had been imprisoned and threatened with death by the Chinese High Officers.

ARTICLE V

The Government of China having compelled the British merchants trading at Canton to deal exclusively with certain Chinese merchants, called Hong Merchants (or Co-Hong), who had been licensed by the Chinese Government for that purpose, the Emperor of China agrees to abolish that practice in future at all ports where British merchants may reside, and to permit them to carry on their mercantile transactions with whatever persons they please; and His Imperial Majesty further agrees to pay to the British Government the sum of three millions of dollars, on account of debts due to British subjects by some of the said Hong merchants, or Co-Hong, who have become insolvent, and who owe very large sums of money to subjects of Her Britannick Majesty.

ARTICLE VI

The Government of Her Britannick Majesty having been obliged to send out an expedition to demand and obtain redress for the violent and unjust proceedings of the Chinese High Authorities towards Her Britannick Majesty's Officer and subjects, the Emperor of China agrees to pay the sum of twelve millions of dollars, on account of the expenses incurred; and Her Britannick Majesty's Plenipotentiary voluntarily agrees, on behalf of Her Majesty, to deduct from the said amount of twelve millions of dollars, any sums which may have been received by Her Majesty's combined forces, as ransom for cities and towns in China, subsequent to the 1st day of August, 1841.

ARTICLE VII

It is agreed, that the total amount of twenty-one millions of dollars, described in the three preceeding Articles, shall be paid as follows:-

Six millions immediately.

Six millions in 1843; that is, three millions on or before the 30th of the month of June, and three millions on or before the 31st of December.

Five millions in 1844; that is, two millions and a half on or before the 30th of June, and two millions and a half on or before the 31st of December.

Four millions in 1845; that is, two millions on or before the 30th of June, and two millions on or before the 31st of December.

And it is further stipulated, that interest, at the rate of 5 per cent. per annum, shall be paid by the Government of China on any portion of the above sums that are not punctually discharged at the periods fixed.

ARTICLE VIII

The Emperor of China agrees to release, unconditionally, all subjects of Her Britannick Majesty (whether natives of Europe or India), who may be in confinement at this moment in any part of the Chinese Empire.

ARTICLE IX

The Emperor of China agrees to publish and promulgate, under His Imperial Sign Manual and Seal, a full and entire amnesty and act of indemnity to all subjects of China, on account of their having resided under, or having had dealings and intercourse with, or having entered the service of, Her Britannick Majesty, or of Her Majesty's officers; and His Imperial Majesty further engages to release all Chinese subjects who may be at this moment in confinement for similar reasons.

ARTICLE X

His Majesty the Emperor of China agrees to establish at all the ports which are, by the Second Article of this Treaty, to be thrown open for the resort of British merchants, a fair and regular Tariff of export and import customs and other dues, which Tariff shall be publickly notified and promulgated for general information; and the Emperor further engages, that when British merchandize shall have once paid at any of the said ports the regulated customs and dues, agreeable to the Tariff to be hereafter fixed, such merchandize may be conveyed by Chinese merchants to any province or city in the interior of the Empire of China, on paying a further amount as transit duties, which shall not exceed* per cent. on the tariff value of such goods.

ARTICLE XI

It is agreed that Her Britannick Majesty's Chief High Officer in China shall correspond with the Chinese High Officers, both at the Capital and in the Provinces, under the term "communication"

照會 ; the subordinate British Officers and Chinese High Officers in the Provinces, under the term "statement"

申陳 on the part of the former, and on the part of the latter, "declaration" 聲明 ; and the subordinates of both countries on a footing of perfect equality: merchants and others not holding official situations, and therefore not included in the above, on both sides, to use the term "representation" 稟明 in all papers addressed to, or intended for the notice of, the respective Governments.

ARTICLE XII

On the assent of the Emperor of China to this Treaty being received, and the discharge of the first instalment of money, Her Britannick Majesty's forces will retire from Nanking and the Grand Canal, and will no longer molest or stop the trade of China. The military post at Chinhai will also be withdrawn; but the Islands of Koolangsoo, and that of Chusan, will continue to be held by Her Majesty's forces until the money payments, and the arrangements for opening the ports to British merchants, be completed.

ARTICLE XIII

The Ratification of this Treaty by Her Majesty the Queen of Great Britain, &c., and His Majesty the Emperor of China, shall be exchanged as soon as the great distance which separates England from China will admit; but in the meantime, counterpart copies of it, signed and sealed by the Plenipotentiaries on behalf of their respective Sovereigns, shall be mutually delivered, and all its provisions and arrangements shall take effect.

* Left blank. A Declaration was signed on this subject and a copy of which follows the Treaty.

Done at Nanking, and signed and sealed by the Plenipotentiaries on board Her Britannick Majesty's ship "Cornwallis", this twenty-ninth day of August, 1842; corresponding with the Chinese date, twenty-fourth day of the seventh month, in the twenty-second year of Taoukwang.

(L.S.) HENRY POTTINGER,

Her M.'s Plenipotentiary.

DECLARATION RESPECTING TRANSIT DUTIES

[Signed in the English and Chinese Languages.]

WHEREAS by the Tenth Article of the Treaty between Her Majesty the Queen of the United Kingdom of Great Britain and Ireland, and His Majesty the Emperor of China, concluded and signed on board Her Britannick Majesty's ship "Cornwallis", at Nanking, on the 29th day of August, 1842, corresponding with the Chinese date 24th day of the 7th month, in the 22nd year of Taoukwang, it is stipulated and agreed, that His Majesty the Emperor of China shall establish at all the ports which, by the Second Article of the said Treaty, are to be thrown open for the resort of British merchants, a fair and regular Tariff of export and import customs and other dues, which Tariff shall be publickly notified and promulgated for general information; and further, that when British merchandize shall have once paid, at any of the said ports, the regulated customs and dues, agreeably to the Tariff to be hereafter fixed, such merchandize may be conveyed by Chinese merchants to any province or city in the interior of the Empire of China, on paying a further amount of duty as transit duty;

And whereas the rate of transit duty to be so levied was not fixed by the said Treaty;

Now therefore, the undersigned Plenipotentiaries of Her Britannick Majesty, and of His Majesty the Emperor of China, do hereby, on proceeding to the exchange of the Ratifications of the said Treaty, agree and declare, that the further amount of duty to be so levied on British merchandize, as transit duty, shall not exceed the present rates, which are upon a moderate scale; and the Ratifications of the said Treaty are exchanged subject to the express declaration and stipulation herein contained.

In witness whereof the respective Plenipotentiaries have signed the present Declaration, and have affixed thereto their respective seals.

Done at Hong-Kong, the 26th day of June, one thousand eight hundred and forty-three, corresponding with the Chinese date, Taoukwang twenty-third year, fifth month, and twenty-ninth day.

(L.S.) HENRY POTTINGER

Seal
and Signature
of the Chinese
Plenipotentiary

DOCUMENT NO. 5

Supplementary Treaty of the Bogue

Supplementary Treaty between Her Majesty and the Emperor
of China, Signed at Hoomun-Chae, October 8, 1843

WHEREAS a Treaty of perpetual Peace and Friendship between Her Majesty the Queen of the United Kingdom of Great Britain and Ireland, and His Majesty the Emperor of China, was concluded at Nanking, and signed on board Her said Majesty's ship "Cornwallis" on the 29th day of August, A.D. 1842, corresponding with the Chinese date of the 24th day of the 7th month, of the 22nd year of Taoukwang, of which said Treaty of perpetual Peace and Friendship, the Ratifications, under the respective Seals and Signs Manual of the Queen of Great Britain, &c., and the Emperor of China, were duly exchanged at Hong-Kong on the 26th day of June, A.D. 1843, corresponding with the Chinese date the 29th day of the fifth month, in the 23rd year of Taoukwang; and whereas in the said Treaty it was provided (amongst other things), that the five ports of Canton, Foochowfoo, Amoy, Ningpo, and Shanghai, should be thrown open for the resort and residence of British merchants, and that a fair and regular Tariff of Export and Import duties, and other dues, should be established at such ports; and whereas various other matters of detail, connected with, and bearing relation to the said Treaty of perpetual Peace and Friendship, have been since under the mutual discussion and consideration of the Plenipotentiary and accredited Commissioners of the High Contracting Parties; and the said Tariff and details having been now finally examined into, adjusted, and agreed upon, it has been determined to arrange and record them in the form of a Supplementary Treaty of Articles, which Articles shall be held to be as binding, and of the same efficacy, as though they had been inserted in the original Treaty of perpetual Peace and Friendship.

ARTICLE I

The Tariff of Export and Import duties, which is hereunto attached under the seals and signatures of the respective Plenipotentiary and Commissioners, shall henceforward be in force at the five ports of Canton, Foochowfoo, Amoy, Ningpo, and Shanghai.

ARTICLE II

The General Regulations of Trade, which are hereunto attached under the seals and signatures of the respective Plenipotentiary and Commissioners, shall henceforward be in force at the five aforementioned ports.

ARTICLE III

All penalties enforced or confiscations made under the third clause of the said General Regulations of Trade, shall belong and be appropriated to the public service of the Government of China.

ARTICLE IV

After the five ports of Canton, Foochow, Amoy, Ningpo, and Shanghai, shall be thrown open, English merchants shall be allowed to trade only at those five ports. Neither shall they repair to any other ports or places, nor will the Chinese people at any other ports or places be permitted to trade with them. If English merchant-vessels shall, in contravention of this agreement, and of a Proclamation to the same purport, to be issued by the British Plenipotentiary, repair to any other ports or places, the Chinese Government Officers shall be at liberty to seize and confiscate both vessels and cargoes; and should Chinese people be discovered clandestinely dealing with English merchants at any other ports or places, they shall be punished by the Chinese Government in such manner as the law may direct.

ARTICLE V

The fourth clause of the General Regulations of Trade, on the subject of commercial dealings and debts between English and Chinese merchants, is to be clearly understood to be applicable to both parties.

ARTICLE VI

It is agreed that English merchants and others residing at, or resorting to, the five ports to be opened, shall not go into the surrounding country beyond certain short distances to be named by the local authorities, in concert with the British Consul, and on no pretence for purposes of traffic. Seamen and persons belonging to the ships shall only be allowed to land under authority and rules which will be fixed by the Consul, in communication with the local officers; and should any persons whatever infringe the stipulations of this Article, and wander away into the country, they shall be seized and handed over to the British Consul for suitable punishment.

ARTICLE VII

The Treaty of perpetual Peace and Friendship provides for British subjects and their families residing at the cities and towns of Canton, Foochow, Amoy, Ningpo, and Shanghai, without molestation or restraint. It is accordingly determined that ground and houses, the rent or price of which is to be fairly and equitably arranged for, according to the rates prevailing amongst the people, without exaction on either side, shall be set apart by the local officers, in communication with the Consul, and the number of houses built, or rented, will be reported annually to the said local officers by the Consul, for the information of their respective Viceroy and Governors; but the number cannot be limited, seeing that it will be greater or less, according to the resort of merchants.

ARTICLE VIII

The Emperor of China having been graciously pleased to grant to all foreign countries whose subjects or citizens have hitherto

traded at Canton, the privilege of resorting for purposes of trade to the other four ports of Foochow, Amoy, Ningpo, and Shanghai, on the same terms as the English, it is further agreed, that should the Emperor hereafter, from any cause whatever, be pleased to grant additional privileges or immunities to any of the subjects or citizens of such foreign countries, the same privileges and immunities will be extended to, and enjoyed by, British subjects; but it is to be understood, that demands or requests are not on this plea to be unnecessarily brought forward.

ARTICLE IX

If lawless natives of China having committed crimes or offences against their own Government, shall flee to Hong-Kong, or to the English ships of war, or English merchant-ships, for refuge, they shall if discovered by the English officers, be handed over at once to the Chinese officers for trial and punishment; or if, before such discovery be made by the English officers, it should be ascertained or suspected by the officers of the Government of China whither such criminals and offenders have fled, a communication shall be made to the proper English officer, in order that the said criminals and offenders may be rigidly searched for, seized, and, on proof or admission of their guilt, delivered up. In like manner, if any soldier or sailor, or any other person, whatever his caste or country, who is a subject of the Crown of England, shall, from any cause or on any pretence, desert, fly, or escape into the Chinese territory, such soldier or sailor, or other person, shall be apprehended and confined by the Chinese Authorities, and sent to the nearest British Consular or other Government officer. In neither case shall concealment or refuge be afforded.

ARTICLE X

At each of the five ports to be opened to British merchants, one English cruizer will be stationed to enforce good order and discipline amongst the crews of merchant shipping, and to support the necessary authority of the Consul over British subjects. The crew of such ships of war will be carefully restrained by the officer commanding the vessel, and they will be subject to all the rules regarding going on shore and straying into the country, that are already laid down for the crews of merchant-vessels. Whenever it may be necessary to relieve such ships of war by another, intimation of that intention will be communicated by the Consul, or by the Consul, or by the British Superintendent of Trade, where circumstances will permit, to the local Chinese Authorities, lest the appearance of an additional ship should excite misgivings amongst the people; and the Chinese cruizers are to offer no hindrance to such relieving ship, nor is she to be considered liable to any port-charges, or other rules laid down in the General Regulations of Trade, seeing that British ships of war never trade in any shape.

ARTICLE XI

The posts of Chusan and Koolangsoo will be withdrawn, as provided for in the Treaty of perpetual Peace and Friendship, the moment all the monies stipulated for in that Treaty shall be paid; and the British

Plenipotentiary distinctly and voluntarily agrees, that all dwelling-houses, store-houses, barracks, and other buildings that the British troops or people may have occupied, or intermediately built or repaired, shall be handed over, on the evacuation of the posts, exactly as they stand, to the Chinese Authorities, so as to prevent any pretence for delay, or the slightest occasion for discussion or dispute on those points.

ARTICLE XII

A fair and regular Tariff of duties and other dues having now been established, it is to be hoped that the system of smuggling which has heretofore been carried on between English and Chinese merchants — in many cases with the open connivance and collusion of the Chinese Custom-house officers — will entirely cease; and the most peremptory Proclamation to all English merchants has been already issued on this subject by the British Plenipotentiary, who will also instruct the different Consuls to strictly watch over, and carefully scrutinize, the conduct of all persons, being British subjects, trading under his superintendence. In any positive instance of smuggling transactions coming to the Consul's knowledge, he will instantly apprise the Chinese Authorities of the fact, and they will proceed to seize and confiscate all goods, whatever their value or nature, that may have been so smuggled, and will also be at liberty, if they see fit, to prohibit the ship from which the smuggled goods were landed, from trading further, and to send her away, as soon as her accounts are adjusted and paid. The Chinese Government officers will, at the same time, adopt whatever measures they may think fit with regard to the Chinese merchants and Custom-house officers who may be discovered to be concerned in smuggling.

ARTICLE XIII

All persons, whether natives of China or otherwise, who may wish to convey goods from any one of the five ports of Canton, Foochowfoo, Amoy, Ningpo, and Shanghai, to Hong-Kong, for sale or consumption, shall be at full and perfect liberty to do so, on paying the duties on such goods, and obtaining a pass, or port clearance, from the Chinese Custom-house at one of the said ports. Should natives of China wish to repair to Hong-Kong to purchase goods, they shall have free and full permission to do so; and should they require a Chinese vessel to carry away their purchases, they must obtain a pass, or port-clearance, for her at the Custom-house of the port whence the vessel may sail for Hong-Kong. It is further settled, that in all cases these passes are to be returned to the officers of the Chinese Government, as soon as the trip for which they may be granted shall be completed.

ARTICLE XIV

An English officer will be appointed at Hong-Kong, one part of whose duty will be to examine the registers and passes of all Chinese vessels that may repair to that port to buy or sell goods; and should such officer at any time find that any Chinese merchant-vessel has not a pass, or register, from one of the five ports, she is to be considered as an unauthorized or smuggling vessel, and is not to be

allowed to trade, whilst a report of the circumstance is to be made to the Chinese Authorities. By this arrangement, it is to be hoped that piracy and illegal traffic will be effectually prevented.

ARTICLE XV

Should natives of China who may repair to Hong-Kong to trade, incur debts there, the recovery of such debts must be arranged for by the English Courts of Justice on the spot; but if the Chinese debtor shall abscond and be known to have property, real or personal, within the Chinese territory, the rule laid down in the fourth clause of the General Regulations for Trade shall be applied to the case; and it will be the duty of the Chinese Authorities, on application by, and in concert with, the British Consuls, to do their utmost to see justice done between the parties. On the same principle, should a British merchant incur debts at any of the five ports, and fly to Hong-Kong, the British Authorities will, on receiving an application from the Chinese Government officers, accompanied by statements and full proofs of the debts, institute an investigation into the claims, and, when established, oblige the defaulter or debtor to settle them to the utmost of his means.

ARTICLE XVI

It is agreed, that the Custom-house officers at the five ports shall make a monthly return to Canton, of the passes granted to vessels proceeding to Hong-Kong, together with the nature of their cargoes; and a copy of these returns will be embodied in one return, and communicated once a-month to the proper English officer at Hong-Kong. The said English officer will, on his part, make a similar return or communication to the Chinese Authorities at Canton, showing the names of Chinese vessels arrived at Hong-Kong, or departed from that port, with the nature of their cargoes; and the Canton Authorities will apprise the Custom-houses at the five ports, in order that, by these arrangements and precautions, all clandestine and illegal trade, under the cover of passes, may be averted.

XVII. OR ADDITIONAL ARTICLE

Relating to British Small Craft

Various small vessels belonging to the English nation called schooners, cutters, lorchas &c., have not hitherto been chargeable with tonnage dues. It is now agreed, in relation to this class of vessels which ply between Hong-Kong and the city, and the city of Macao, that if they only carry passengers, letters, and baggage, they shall, as heretofore, pay no tonnage dues; but if these small craft carry any dutiable articles, no matter how small the quantity may be, they ought, in principle, to pay their full tonnage dues. But this class of small craft are not like the large ships which are engaged in foreign trade, they are constantly coming and going; they make several trips a month, and are not like the large foreign ships, which, on entering the port, cast anchor at Whampoa. If we were to place them on the same footing as the large foreign ships, the charge would fall unequally; therefore after this, the smallest of these craft shall be rated at 75 tons, and the largest not to exceed

150 tons; whenever they enter the port (or leave the port with cargo) they shall pay tonnage dues at the rate of one mace per ton register. If not so large as 75 tons, they shall still be considered and charged as of 75 tons; and if they exceed 150 tons, they shall be considered as large foreign ships, and, like them, charged tonnage dues, at the rate of five mace per register ton. Foochow and the other ports having none of this kind of intercourse, and none of this kind of small craft, it would be unnecessary to make any arrangement as regards them.

The following are the rules by which they are to be regulated:-

1st. Every British schooner, cutter, lorcha, &c., shall have a sailing letter or register in Chinese and English, under the seal and signature of the Chief Superintendent of Trade, describing her appearance, burthen, &c., &c.

2nd. Every schooner, lorcha, and such vessel, shall report herself, as large vessels are required to do, at the Bocca Tigris; and when she carries cargo, she shall also report herself at Whampoa, and shall, on reaching Canton, deliver up her sailing letter or register to the British Consul, who will obtain permission from the Hoppo for her to discharge her cargo, which she is not to do without such permission, under the forfeiture of the penalties laid down in the 3rd clause of the General Regulations of Trade.

3rd. When the inward cargo is discharged, and an outward one (if intended) taken on board, and the duties on both arranged and paid, the Consul will restore the register or sailing letter, and allow the vessel to depart.

This Supplementary Treaty, to be attached to the original Treaty of Peace, consisting of sixteen Articles, and one additional Article relating to small vessels, is now written out, forming, with its accompaniments, four pamphlets, and is formally signed and sealed by their Excellencies the British Plenipotentiary, and the Chinese Imperial Commissioner, who, in the first instance, take two copies each, and exchange them, that their provisions may be immediately carried into effect. At the same time, each of these high functionaries, having taken his two copies, shall duly memorialize the Sovereign of his nation; but the two countries are differently situated as respects distance, so that the will of the one Sovereign can be known sooner than the will of the other. It is now therefore agreed, that on receiving the gracious Assent of the Emperor in the Vermilion Pencil, the Imperial Commissioner will deliver the very document containing it into the hands of his Excellency Hwang, Judge of Canton, who will proceed to such place as the Plenipotentiary may appoint, and deliver it to the English Plenipotentiary, to have and to hold. Afterwards, the Sign Manual of the Sovereign of England having been receiving at Hong-Kong, likewise graciously assenting to and confirming the Treaty, the English Plenipotentiary will despatch a specially appointed officer to Canton, who will deliver the copy containing the Royal Sign Manual to his Excellency Hwang, who will forward it to the Imperial

Commissioner, as a rule and a guide to both nations for ever, and as a solemn confirmation of our Peace and Friendship.

A most important Supplementary Treaty.

Signed and sealed at Hoomun-Chae, on the Eighth day of October, 1843, corresponding with the Chinese date of the Fifteenth day of the Eighth moon, of the 23rd year of Taoukwang.

(L.S.) HENRY POTTINGER

DOCUMENT NO. 6

Proclamation issued by Sir Henry Pottinger, July 22, 1843 and the General Regulations governing the China Trade

SIR HENRY POTTINGER, Bart., G.C.B., Her Britannick Majesty's Plenipotentiary, &c., &c., in China, has the gratification to announce, for the general information and guidance of all subjects of Her said Majesty, that he has concluded and sealed, with the High Commissioner appointed by His Imperial Majesty the Emperor of China to treat with him, a Commercial Treaty, stipulated for in the Definitive Treaty of Peace, signed at Nanking on the 29th day of August, 1842, and the ratifications of which Definitive Treaty of Peace have been lately exchanged under the Signs Manual and Seals of Her Majesty the Queen of Great Britain and Ireland, &c., and His Majesty the Emperor of China.

Her Britannick Majesty's Plenipotentiary, &c., now publishes the Export and Import Tariff, and the Regulations of trade, which have been, after the most searching scrutiny and examination, fixed and finally agreed upon, and which Tariff and Regulations of trade are to be promulgated in Chinese, simultaneously with this Proclamation, accompanied by a Proclamation on the part of the Imperial Commissioner, &c.

Her Britannick Majesty's Plenipotentiary, &c., trusts, that the provisions of the Commercial Treaty will be found in practice mutually advantageous, beneficial, and just, as regards the interests, the honour, and the future augmented prosperity of the Governments of the two mighty Contracting Empires, and their subjects: and his Excellency most solemnly and urgently calls upon all subjects of the British Crown, individually and collectively, by their allegiance to their Sovereign, by their duty to their country, by their own personal reputation, respect, and good name, and by the integrity and honesty which is due from them as men, to the imperial rights of the Emperor of China, not only to strictly conform and act up to the said provisions of the Commercial Treaty, but to spurn, decry, and make known to the world, any base, unprincipled, and traitorous overtures which they, or their agents or employees, may receive from, or which may be in any shape made to them, by any subject of China - whether officially connected with the Government, or not - towards entering into any collusion or scheme for the purpose of evading, or acting in contravention of, the said provisions of the Commercial Treaty.

Her Britannick Majesty's Plenipotentiary, &c., will not allow himself to anticipate or suppose, that the appeal which he now makes to all Her Majesty's subjects will be unheeded, or overlooked, by even a single individual; but at the same time it is his duty, in the responsible and unprecedented situation in which he has been placed by the course of events, to distinctly intimate, that he is determined, by every means at his disposal, to see the provisions of the Commercial Treaty fulfilled by all who choose to engage in future in commerce with China; and that in any case where he may receive well-grounded representations from Her Majesty's Consuls, or from the Chinese Authorities, that such provisions of the Commercial Treaty have been evaded (or have been attempted to be so), he will adopt the most stringent and decided measures against the offending parties; and where his present powers may not fully authorize and sanction such measures as may seem to him fitting, he will respectfully trust that the Legislature of Great Britain will hold him indemnified for adopting them, in an emergency directly compromising the national honour, dignity, and good faith in the estimation of the Government of China, and in the eyes of all other nations.

GOD SAVE THE QUEEN.

Dated at Government-House, at Victoria, Hong-Kong,
this 22nd day of July, 1843.

HENRY POTTINGER

GENERAL REGULATIONS, under which the British Trade is to be conducted at the Five Ports of Canton, Amoy, Foochowfoo, Ningpo, and Shanghai.

I. PILOTS

WHENEVER a British merchantman shall arrive off any of the five ports opened to trade, viz., Canton, Foochowfoo, Amoy, Ningpo, or Shanghai, pilots shall be allowed to take her immediately into port; and, in like manner, when such British ship shall have settled all legal duties and charges, and is about to return home, pilots shall be immediately granted to take her out to sea, without any stoppage or delay.

Regarding the remuneration to be given these pilots, that will be equitably settled by the British Consul appointed to each particular port, who will determine it with due reference to the distance gone over, the risk run, &c.

II. CUSTOM-HOUSE GUARDS

The Chinese Superintendent of Customs at each port will adopt the means that he may judge most proper to prevent the revenue suffering by fraud or smuggling. Whenever the pilot shall have brought any British merchantman into port, the Superintendent of Customs will depute one or two trusty Custom-house officers, whose duty it will be to watch against frauds on the revenue. These will either live in a boat of their own, or stay on board the English ship, as may best suit their convenience. Their food and expenses will be supplied them from day to day from the Custom-house, and they may not exact any fees whatever from either the Commander or Consignee. Should they violate this regulation, they shall be punished proportionately to the amount so exacted.

III. MASTERS OF SHIPS REPORTING THEMSELVES ON ARRIVAL

Whenever a British vessel shall have cast anchor at any one of the above-mentioned ports, the Captain will, within four and twenty hours after arrival, proceed to the British Consulate, and deposit his ship's papers, bill of lading, manifest, &c., in the hands of the Consul; failing to do which, he will subject himself to a penalty of two hundred dollars.

For presenting a false manifest, the penalty will be five hundred dollars.

For breaking bulk and commencing to discharge, before due permission shall be obtained, the penalty will be five hundred dollars, and confiscation of the goods so discharged.

The Consul, having taken possession of the ship's papers, will immediately send a written communication to the Superintendent of Customs, specifying the register tonnage of the ship, and the particulars of the cargo she has on board; all of which being done in due form, permission will then be given to discharge, and the duties levied as provided for in the Tariff.

IV. COMMERCIAL DEALINGS BETWEEN ENGLISH AND CHINESE MERCHANTS

It having been stipulated that English merchants may trade with whatever native merchants they please, — should any Chinese merchant fraudulently abscond or incur debts which he is unable to discharge, the Chinese authorities, upon complaint being made thereof, will of course do their utmost to bring the offender to justice; it must, however, be distinctly understood, that if the defaulter really cannot be found, or be dead, or bankrupt, and there be not wherewithal to pay, the English merchants may not appeal to the former custom of the Hong Merchants paying for one another, and can no longer expect to have their losses made good to them.

V. TONNAGE DUES

Every English merchantman, on entering any one of the above-mentioned five ports, shall pay tonnage-dues at the rate of five

mace per register-ton, in full of all charges. The fees formerly levied on entry and departure, of every description, are henceforth abolished.

VI. IMPORT AND EXPORT DUTIES

Goods, whether imported into, or exported from, any one of the abovementioned five ports, are henceforward to be taxed according to the Tariff as now fixed and agreed upon, and no further sums are to be levied beyond those which are specified in the Tariff; all duties incurred by an English merchant-vessel, whether on goods imported or exported, or in the shape of tonnage-dues, must first be paid up in full; which done, the Superintendent of Customs will grant a port-clearance, and this being shown to the British Consul, he will thereupon return the ship's papers, and permit the vessel to depart.

VII. EXAMINATION OF GOODS AT THE CUSTOM-HOUSE

Every English merchant, having cargo to load or discharge, must give due intimation thereof, and hand particulars of the same to the Consul, who will immediately dispatch a recognized linguist of his own establishment to communicate the particulars to the Superintendent of Customs, that the goods may be duly examined, and neither party subjected to loss. The English merchant must also have a properly qualified person on the spot to attend to his interests when his goods are being examined for duty, otherwise, should there be complaints, these cannot be attended to.

Regarding such goods as are subject by the Tariff to an ad valorem duty, if the English merchant cannot agree with the Chinese officer in fixing a value, then each party shall call two or three merchants to look at the goods, and the highest price at which any of these merchants would be willing to purchase, shall be assumed as the value of the goods.

To fix the tare on any article, such as tea; if the English merchant cannot agree with the Custom-house officer, then each party shall choose so many chests out of every hundred, which being first weighed in gross, shall afterwards be tared, and the average tare upon these chests shall be assumed as the tare upon the whole; and upon this principle shall the tare be fixed upon all other goods in packages.

If there should still be any disputed points which cannot be settled, the English merchant may appeal to the Consul, who will communicate the particulars of the case to the Superintendent of Customs, that it may be equitably arranged. But the appeal must be made on the same day, or it will not be regarded. While such points are still open, the Superintendent of Customs will delay to insert the same in his books, thus affording an opportunity that the merits of the case may be duly tried and sifted.

VIII. MANNER OF PAYING THE DUTIES

It is hereinbefore provided, that every English vessel that enters any one of the five ports, shall pay all duties and tonnage-dues before she be permitted to depart. The Superintendent of Customs will select certain shroffs, or banking establishments, of known stability, to whom he will give licences, authorizing them to receive duties from the English merchants on behalf of Government, and the receipt of these shroffs for any moneys paid them shall be considered as a Government voucher. In the paying of these duties, different kinds of foreign money may be made use of; but as foreign money is not of equal purity with sycee silver, the English Consuls appointed to the different ports will, according to time, place, and circumstances, arrange with the Superintendents of Customs at each, what coins may be taken in payment, and what percentage may be necessary to make them equal to standard of pure silver.

IX. WEIGHTS AND MEASURES

Sets of balance-yards for the weighing of goods, of money-weights, and of measures, prepared in exact conformity to those hitherto in use at the Custom-house of Canton, and duly stamped and sealed in proof thereof, will be kept in possession of the Superintendent of Customs, and also at the British Consulate at each of the five ports, and these shall be the standards by which all duties shall be charged, and all sums paid to Government. In case of any dispute arising between British merchants and Chinese officers of Customs, regarding the weights or measures of goods, reference shall be made to these standards, and disputes decided accordingly.

X. LIGHTERS OR CARGO BOATS

Whenever any English merchant shall have to load or discharge cargo, he may hire whatever kind of lighter or cargo-boat he pleases, and the sum to be paid for such boat can be settled between the parties themselves, without the interference of Government. The number of these boats shall not be limited, nor shall a monopoly of them be granted to any parties. If any smuggling take place in them, the offenders will of course be punished according to law. Should any of these boat-people, while engaged in conveying goods for English merchants, fraudulently abscond with the property, the Chinese authorities will do their best to apprehend them; but, at the same time, the English merchants must take every due precaution for the safety of their goods.

XI. TRANSSHIPMENT OF GOODS

No English merchant-ships may transship goods without special permission: should any urgent case happen when transshipment is necessary, the circumstances must first be submitted to the Consul, who will give a certificate to that effect, and the Superintendent of Customs will then send a special officer to be present at the transshipment. If any one presumes to transship without such permission being asked for and obtained, the whole of the goods so illicitly transshipped will be confiscated.

XII. SUBORDINATE CONSULAR OFFICERS

At any place selected for the anchorage of the English merchant-ships, there may be appointed a subordinate Consular officer, of approved good conduct, to exercise due control over the seamen and others. He must exert himself to prevent quarrels between the English seamen and natives, this being of the utmost importance. Should anything of the kind unfortunately take place, he will in like manner do his best to arrange it amicably. When sailors go on shore to walk, officers shall be required to accompany them; and should disturbances take place, such officers will be held responsible. The Chinese officers may not impede natives from coming alongside the ships to sell clothes or other necessities to the sailors living on board.

XIII. DISPUTES BETWEEN BRITISH SUBJECTS AND CHINESE

Whenever a British subject has reason to complain of a Chinese, he must first proceed to the Consulate state his grievance; the Consul will thereupon inquire into the merits of the case, and do his utmost to arrange it amicably. In like manner, if a Chinese have reason to complain of a British subject, he shall no less listen to his complaint, and endeavour to settle it in a friendly manner. If an English merchant have occasion to address the Chinese authorities, he shall send such address through the Consul, who will see that the language is becoming; and, if otherwise, will direct it to be changed, or will refuse to convey the address. If, unfortunately, any disputes take place of such a nature that the Consul cannot arrange them amicably, then he shall request the assistance of a Chinese officer, that they may together examine into the merits of the case, and decide it equitably. Regarding the punishment of English criminals, the English Government will enact the laws necessary to attain that end, and the Consul will be empowered to put them in force; and regarding the punishment of Chinese criminals, these will be tried and punished by their own laws, in the way provided for by the correspondence which took place at Nanking, after the concluding of the peace.

XIV. BRITISH GOVERNMENT CRUIZERS ANCHORING WITHIN THE PORTS

An English Government cruiser will anchor within each of the five ports, that the Consul may have the means of better restraining sailors and others, and preventing disturbances. But these Government cruisers are not to be put on the same footing as merchant-vessels; for, as they bring no merchandize and do not come to trade, they will of course pay neither dues nor charges. The Resident Consul will keep the Superintendent of Customs duly informed of the arrival and departure of such Government cruisers, that he may take his measures accordingly.

XV. ON THE SECURITY TO BE GIVEN FOR BRITISH MERCHANT-VESSELS

It has hitherto been the custom, when an English vessel entered the port of Canton, that a Chinese Hong Merchant stood security for her, and all duties and charges were paid through such security-merchant; but these security-merchants being now done away with, it is understood, that the British Consul will henceforth be security for all British merchant-ships entering any of the aforesaid five ports.

II. THE TREATY PORTS AND HONG KONG

The original intention in 1843, when the administrative arrangements covering British subjects in China were being considered, was to regard the British position there as a whole and to concentrate the administrative agencies in Hong Kong. Legislative provision was therefore made for the duties of Superintendent of Trade and Plenipotentiary to be exercised by the person holding the office of Governor of Hong Kong, and for the Governor and the Hong Kong Legislative Council to legislate for British subjects living in China at the Treaty Ports. This arrangement was based on the assumption that conditions in the new treaty ports would not be dissimilar from those obtaining in the past at Canton, under which the foreigners had lived in a small enclave of their own and for no longer than was necessary for commercial purposes. Foochow, Ningpo and Amoy indeed broadly followed this pattern, but the growth of an important entrepôt centre at Shanghai which was to outstrip Hong Kong in commercial importance was not immediately foreseen. Equally unforeseen was the influx of large Chinese populations into Shanghai and Hong Kong.

Parliamentary sanction was necessary to give the Crown authority over British subjects resident outside British territory and so an Act "for the better Government of Her Majesty's subjects resorting to China", 6 & 7 Vic. cap.80 was passed in August 1843, and is given here as document No. 7. It authorised the Crown to empower the Superintendent of Trade, "so long as such Superintendent shall also be Governor of the said Island of Hong Kong" to enact laws and ordinances with the advice of the Hong Kong Legislative Council, subject to the royal power of disallowance and to the retention by the Crown of the power of concurrent legislation. Document No. 8 gives an Order in Council under which this was carried out and consular jurisdiction set up. The two series of ordinances, those relating to the Colony and those relating to the Treaty Ports, had to be kept distinct, the one series being reported to the Colonial Secretary and the other to the Foreign Secretary.

It was realised that difficulties might arise over extra-territorial rights in China and letters from Lord Aberdeen to Sir Henry Pottinger, and to his successor, Sir John Davis, documents 9 and 10, reveal the anxiety on the part of the British Government that these rights should not be exercised in a manner injurious to the Chinese.

An Order in Council of June 13, 1853, document No. 11, brought the control over the British in China by the Hong Kong Legislative Council to an end and this was the first and most decisive step in the process of making the Treaty Ports independent of control from

Hong Kong. The Earl of Elgin who was sent out in 1857 to conduct hostilities became Plenipotentiary and in 1859, the new Governor of Hong Kong, Sir Hercules Robinson, ceased to hold concurrently the post of Superintendent of Trade.

The severance was complete when in 1865, the Supreme Court at Hong Kong lost its appellate jurisdiction in respect to the consular courts.

But commercial relations between Hong Kong and the Treaty Ports remained close, and the colony continued as the headquarters of the principal merchant houses, banking institutions and shipping companies in the Far East.

DOCUMENT NO. 7

Act of Parliament

An Act for the better Government of Her Majesty's Subjects resorting to China. (22nd August 1843) 6 & 7 Vic. cap. 80

Whereas an Act was passed in the Fourth Year of the Reign of His late Majesty, intituled An Act to regulate the Trade to China and India, whereby certain Powers were vested in Officers therein described as "Superintendents of the Trade of His Majesty's Subjects to and from the Dominions of the Emperor of China:" And whereas, for giving full Effect to the Purposes of the said Act, it is necessary that Provision be made for the Establishment from Time to Time of Regulations for the Government of Her Majesty's Subjects resorting to China, and it is expedient that such Regulations should originate with some local Authority cognizant of the actual Circumstances and Exigencies of such Her Majesty's Subjects, and of the Trade carried on by them in China: And whereas Her Majesty hath been pleased, by a Commission under the Great Seal of the United Kingdom, to establish a Legislative Council to make Laws for the Peace, Order, and good Government of Her Majesty's Subjects, being within Her Majesty's Island of Hong Kong, and to constitute and appoint as Governor of the said Island the Officer invested under the said recited Act with the Office of Chief Superintendent of the Trade of Her Majesty's Subjects to and from China: Be it enacted by the Queen's most Excellent Majesty, by and with the Advice and Consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the Authority of the same, That it shall be lawful for Her Majesty, by any Commission or Commissions under the Great Seal of the United Kingdom, or by any Instructions under Her Majesty's Signet and Sign Manual accompanying and referred to in any such Commission or Commissions, to authorize the Superintendent of the Trade of Her Majesty's Subjects in China (so long as such Superintendent shall be also the Governor of the said Island of Hong Kong) to enact, with the Advice of the Legislative Council of the said Island of Hong Kong, all such Laws and Ordinances as may from Time to Time be required for the Peace,

Order, and good Government of Her Majesty's Subjects being within the Dominions of the Emperor of China, or being within any Ship or Vessel at a Distance of not more than One hundred Miles from the Coast of China, and to enforce the Execution of such Laws and Ordinances by such Penalties and Forfeitures as to him, by the Advice aforesaid, shall seem fit; and that it shall also be lawful for Her Majesty, by any such Commission or Commissions or Instructions as aforesaid, to impose upon the Exercise of the before-mentioned Legislative Authority all such Conditions and Limitations as Her Majesty shall see fit to prescribe; and that it shall also be lawful for Her Majesty to disallow, in the whole or in part, any Laws or Ordinances so to be enacted as aforesaid, and, with the Advice of Her Majesty's Privy Council, to alter the same or any of them as to Her Majesty in Council shall seem meet.

II. And be it enacted, That it shall be lawful for Her Majesty, by any Commission or Warrant under Her Royal Sign Manual, to make such Provision as to Her Majesty may seem fit for the temporary Exercise of the Duties of the said Chief Superintendent in the event of a Vacancy occurring in that Office by Death, Resignation, or otherwise, and that the Provisions herein contained respecting the said Chief Superintendent shall be taken to apply to the Person or Persons for the Time being exercising the Duties of Chief Superintendent under such Commission or Warrant.

III. And be it enacted, That it shall also be lawful for Her Majesty, by any Order or Orders made with the Advice of Her Majesty's Privy Council, to ordain, for the Government of Her Majesty's Subjects being within the Dominions of the Emperor of China, or being within any Ship or Vessel at a Distance of not more than One hundred Miles from the Coast of China, any Law or Ordinance which to Her Majesty in Council may seem meet, as fully and effectually as any such Law or Ordinance could be made by Her Majesty in Council for the Government of Her Majesty's Subjects being within the said Island of Hong Kong.

IV. And be it enacted, That all such Commissions and Instructions and Orders in Council as aforesaid, and all Laws and Ordinances so to be made as aforesaid, shall be laid before both Houses of Parliament as soon as conveniently may be after the making and enacting thereof respectively.

V. And be it enacted, That when and so soon as any such Commission or Commissions as aforesaid shall have been received at the said Island of Hong Kong by the Superintendent and Governor aforesaid, or by the Officer for the Time being in the Administration of the said Superintendent and Government, so much of the said recited Act as relates to the Powers and Authorities to be exercised by the Superintendents therein mentioned over and in respect of the Trade and Commerce of Her Majesty's Subjects within any Part of the Dominions of the Emperor of China, or as relates to the making and issuing Directions and Regulations touching the said Trade and Commerce, and for the Government of Her Majesty's Subjects within the said Dominions, and as relates to the Imposition of Penalties, Forfeitures, or Imprisonments for the Breach of any such Directions or Regulations, or as relates to the Creation of a Court of Justice

for the Trial of Offences committed by Her Majesty's Subjects, as therein mentioned, shall be repealed: Provided nevertheless, that all things theretofore done in pursuance of the said recited Act shall be of the same Validity and Effect as if this Act had not been passed.

VI. And be it enacted, That every Suit or Action which shall be brought against any Person for any thing done in pursuance of this Act shall be commenced within Six Calendar Months after the Fact committed, and not afterwards, except where the Cause of Action shall have arisen in any Place not within the Jurisdiction of any of Her Majesty's Courts having Civil Jurisdiction, and then within Six Calendar Months after the Plaintiff and Defendant shall have been both within the Jurisdiction of any such Court; and every such Action or Suit shall be brought in the Place where the Cause of Action shall have arisen, and not elsewhere, except where the Cause of Action shall have arisen in any Place not within the Jurisdiction of any of Her Majesty's Courts having Civil Jurisdiction; and the Defendant shall be entitled to the like Notice, and shall have the like Privilege of tendering Amends to the Plaintiff, or his Agent or Attorney, as is provided in Actions brought against any Justice of the Peace for any Act done by him in the Execution of his Office.

VII. And be it enacted, That this Act may be amended or repealed by any Act to be passed in this Session of Parliament.

DOCUMENT NO. 8

Order in Council

At the Court at Buckingham Palace, the 17th of April, 1844

Present:

THE QUEEN'S MOST EXCELLENT MAJESTY IN COUNCIL

Whereas, by a certain Act of Parliament made and passed in the session of Parliament holden in the sixth and seventh years of Her Majesty's reign, intituled "An Act for the better Government of Her Majesty's Subjects resorting to China", it is amongst other things enacted, that it shall be lawful for Her Majesty, by any Order or Orders made with the advice of Her Majesty's Privy Council, to ordain, for the government of Her Majesty's subjects being within the dominions of the Emperor of China, or being within any ship or vessel at a distance of not more than one hundred miles from the coast of China, any law or ordinance which to Her Majesty in Council may seem meet, as fully and effectually as any such law or ordinance could be made by Her Majesty in Council for the government of Her Majesty's subjects being within the Island of Hong Kong: And whereas, by a certain other Act of Parliament made and passed in the session of Parliament holden as aforesaid, intituled "An Act to remove Doubts as to the exercise of Power and "Jurisdiction by Her Majesty within

divers countries and Places out of "Her Majesty's Dominions, and to render the same more effectual", it is amongst other things enacted, that it is and shall be lawful for Her Majesty to hold, exercise, and enjoy, any power or jurisdiction which Her Majesty now hath, or may at any time hereafter have, within any country or place out of Her Majesty's dominions, in the same and as ample a manner as if Her Majesty had acquired such power or jurisdiction by the cession or conquest of territory: And whereas, Her Majesty hath power and jurisdiction in the dominions of the Emperor of China; Now, therefore, in pursuance of the above-recited Acts, or either of them, Her Majesty is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered, that Her Majesty's Consuls and Vice-Consuls resident within the said dominions, or such other persons as by warrant under the hand and seal of the Chief Superintendent of the Trade of Her Majesty's subjects in China for the time being shall be appointed to act provisionally as Consuls or Vice-Consuls, shall severally in the districts within which they may respectively be appointed to reside, have and hold all necessary power and authority to exercise jurisdiction over British subjects within such districts as aforesaid, for the repression and punishment of crimes and offences by them committed within the dominions of the Emperor of China, and for the arrangement and settlement of all and all manner of differences, contentions, suits, and variances that may or shall happen to arise between them or any of them; and shall moreover have power and authority, as far as in them lies, to compose and settle all and all manner of differences, contentions, suits, and variances that may or shall happen to arise between British subjects and the subjects of the Emperor of China, and between British subjects and the subjects of any foreign Power, and which may be brought before them for settlement: And whereas by the above first-recited Act, it is enacted, that it shall be lawful for Her Majesty, by any Commission or Commissions under the Great Seal of the United Kingdom, or by any instructions under Her Majesty's Signet and Sign Manual, accompanying and referred to in any such Commission or Commissions, to authorize the Superintendent of the Trade of Her Majesty's subjects in China (so long as such Superintendent shall be also Governor of the Island of Hong Kong), to enact with the advice of the Legislative Council of the said Island of Hong Kong, all such laws and ordinances as may from time to time be required for the peace, order, and good government of Her Majesty's subjects being within the dominions of the Emperor of China, or being within any ship or vessel at a distance of not more than one hundred miles from the coast of China, and to enforce the execution of such laws and ordinances by such penalties and forfeitures, as to him, by the advice aforesaid, shall seem fit: And whereas Her Majesty has been pleased to grant such Commission as aforesaid to John Francis Davis, Esq., appointed by Her Majesty Superintendent of the Trade of Her subjects in China, or the Superintendent for the time being of such trade; Now therefore Her Majesty is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered, that Her Majesty's Consuls and Vice-Consuls in China, or any persons acting provisionally as such Consuls or Vice-Consuls as aforesaid, shall in the exercise of the jurisdiction granted unto them by this present Order, be governed by such laws and ordinances in that behalf as may be enacted, in the manner and form aforesaid, by the Superintendent of the Trade of Her Majesty's subjects in

China for the time being, being the Governor of Hong Kong. And in further exercise of the powers in Her Majesty vested by the above-recited Act for "Removing doubts as to the exercise "of power and jurisdiction by Her Majesty within divers places out of "Her dominions, and for rendering the same more effectual", Her Majesty is pleased, by and with the advice of Her Privy Council, to appoint the Colony of Hong Kong as the British colony wherein crimes and offences committed by British subjects within the dominions of the Emperor of China, which it may be expedient shall be enquired of, tried, determined and punished within Her Majesty's dominions, shall be so enquired of, tried, determined, and punished; and that Her Majesty's Consuls, Vice-Consuls, or other persons provisionally acting as such under warrant from the Chief Superintendent of British Trade in China, as aforesaid, shall have authority to cause any British subject, charged with the commission of any crime or offence, the cognizance whereof may at any time appertain to them, or any of them, to be sent for trial to the said Colony of Hong Kong. And it is further ordered, that the Chief Justice of the Colony of Hong Kong for the time being, or other person provisionally acting as such, shall, when duly required by the said Superintendent, proceed to the dominions of the Emperor of China, and shall have power and authority within the said dominions to enquire of, try, determine, and punish any crimes or offences committed by British subjects within the said dominions. And the Right Honourable the Earl of Aberdeen, and the Right Honourable Lord Stanley, two of Her Majesty's Principal Secretaries of State, are to give the necessary directions herein as to them may respectively appertain.

(Signed) C. C. GREVILLE

DOCUMENT NO. 9

Extracts from a Dispatch from Lord Aberdeen to Sir Henry Pottinger, No. 81, September 2, 1843, Relating to Control over British Subjects in the Treaty Ports C0129/3

No. 81

Sir Henry Pottinger

Foreign Office. September 2, 1843.

Sir,

The Act of Parliament of the year 1833 [3 and 4 William IV cap. 93] under which you have hitherto held the office of Superintendent of the Trade of H.M. subjects in China was framed and passed under circumstances essentially different from those of the present time. Not only was there at that period a deficiency of any experience for the guidance of your predecessors in the discharge of their official duties, but the Crown then held the Dominion of no

territory within or adjacent to the Chinese Empire. The Military and Diplomatic Transactions which have since occurred and the acquisition by the Queen of the Sovereignty of Hong Kong have essentially altered the posture of affairs in that quarter of the *Globe*, and have appeared to Her Majesty's Government to call for a corresponding change in the Law.

The Act of 1833, from the 5th to the 8th Section both inclusive, authorise the appointment of Superintendents, and enable the King in Council to give them such powers as might be thought necessary

...

In pursuance of this Statute various measures have been adopted. Thus on the 9th of December in the same year two Orders of the King in Council were made of which one had for its object the regulation of the trade of British subjects at Canton the object of the other being the establishment at that place of a court for the trial of offences committed by British subjects in China. A third Order in Council of the same date imposed Duties on British ships and cargoes entering Canton. Of these three Orders all may be said to have been ineffectual. The two first have scarcely ever been brought into operation. The third was actually revoked by a subsequent Order in Council of the 5th of March 1834. And thus the case stood till the commencement of the present year [1843], when on the 4th of January last an Order of the Queen in Council was made for transferring the before-mentioned Court from Canton to Hong Kong. This was followed on the 24th of February last by an Order forbidding British subjects to resort to China for the purposes of Trade to any ports except the five there enumerated.

Such having been the state of the Law at the commencement of the late session of Parliament, it appeared to me that it was inadequate to the exigencies which must be expected to arise in your administration of your office as Superintendent of the British Trade. In your capacity of Governor of Hong Kong, the Queen in the exercise of her Royal Prerogative had indeed invested you with Legislative authority over all the inhabitants of that Island. But the Crown possesses no inherent prerogative of imparting a Legislative Authority over British subjects within a foreign state or on the High Seas. Hence it followed that unless the aid of Parliament were invoked and obtained, your powers of making laws binding on the Queen's subjects must be restricted within the local limits of Hong Kong. Hence also it was obvious that every disaffected person might readily place himself beyond the reach of those Laws, and escape their penalties, and that your Legislative Powers would cease to be effectual precisely in the places in which obedience to them would be most indispensable to the good of Her Majesty's service.

It did not appear that the Act of 1833 enabled the Queen in Council to provide any remedy for this inconvenience. Her Majesty, it is true, might herself have made laws under it for the Government of Her subjects in China. But experience had abundantly shown what antecedently to the experiment was indeed sufficiently evident, that no laws could be properly originated and framed in England for the government of persons dwelling at such a distance, and placed under

circumstances so imperfectly understood in this country. To obviate these difficulties a Bill for the better Government of Her Majesty's Subjects resorting to China was introduced into Parliament. It has since been passed into a law, of which I transmit a copy for your information. This Act (the 6th and 7th Victoria cap. 80) by the 5th Section repealed so much of the Act of 1833 as relates to the powers of the Superintendents over the British Trade, and to the government and British Subjects in China, and as relates to a British Court of Justice. In other words it repeats the 6th Section of the Act of 1833. But it expressly provides that all things done in pursuance of that Act before the repeal shall take effect, shall be valid as if the later Act had not been passed. The practical change is therefore as follows. The Act of 1833 must be read with the omission of the 6th clause. But neither your own appointment as Superintendent nor anything else lawfully done under that Act is invalidated. The Orders in Council which I have enumerated will, unless revoked by the Queen in Council, retain all their former authority. It being however the Queen's pleasure in the exercise of the power now conferred on Her Majesty to delegate to you and to the Legislative Council of Hong Kong the power of making Laws for the government of the Queen's subjects in China, and in the adjacent seas, I transmit to you a Commission under the Great Seal for that purpose, accompanied by Instructions under the Royal Signet and Sign Manual. The effect of these instruments will be to extend over the Queen's subjects in China and in the adjacent seas the Legislative Authority which you at present exercise over the inhabitants of Hong Kong.

I further transmit a Warrant under the Royal Sign Manual to provide for the temporary administration of your office, the effect of this will be that the Legislative Power last mentioned will not be suspended by any circumstance which may render the officer directly appointed by the Queen as Superintendent incapable of discharging the duties of that office . . .

[Queen in Council has power also of concurrent legislation for Queen's subjects in China.]

Such being the general effect of the recent Act of Parliament, and of the Instruments issued in pursuance of it, it remains that I should advert to those questions which must be expected to arise.

First [Pottinger was given a blanket order in Council enabling him to suspend the operation of any of these Orders in Council if they were found to be inconsistent with any measure he thought important].

I next anticipate the observation that the Legislative power you will be called to exercise being designed to have its operation in a country where there is no British Law in force nor any officers of the Crown to carry such enactment into effect, they must to a great extent be inoperative if not futile. It would be vain to deny altogether the truth of this remark; [but] in the first place the breach of such a law might in some cases be the basis of civil actions in British Courts of Justice; and secondly as all British subjects in China are only occasional and temporary residents

there the laws to be made by yourself might in most cases reach them by requiring Her Majesty's Consuls and Vice-Consuls to withhold the clearance of any ship in which the offender against such laws was about to sail until bonds shall be given for landing him at Hong Kong or at some other British Settlement where he might take his trial; and thirdly, if as may be anticipated the concurrence of the Chinese Government in the exercise by Her Majesty's officers of this jurisdiction can be obtained, the case will then fall under the provisions of another Act passed within the last session of Parliament . . . for the present however that Act (the Act 6th and 7th Victoria cap. 94) must be considered as inapplicable to the case of China.

I can foresee a still further difficulty, which is likely to embarrass you . . . the very words by which we describe crime such as murder, robbery, forgery and the like (which must be employed in all penal legislation) have a meaning which is not immutable but transitory, and which is widely dissimilar even in states of Christendom . . . The answer is that some general and preliminary law will be requisite, declaring in effect that any Act which being done in Hong Kong would render the Agent or his abettors amenable to punishment, shall when done by British subjects within the Chinese Dominions or within 100 miles from the coasts of China, be considered as criminal to the same extent and as rendering the offender amenable to the same degree and nature of punishment if they shall afterwards be found within H.M.'s Dominions . . .

Hitherto I have assumed that all the laws you will have to promulgate will be of that class which are usually distinguished as penal. But this will not really be the case. Many occasions may arise in which it will be necessary that laws should be enacted rather to ascertain the mutual obligations, than to punish the offences of the British Residents in China. . . . In cases of this kind the law will usually command a willing obedience, even though the enforcement of its penalties may be attended with serious or even insuperable difficulties.

It is not however my intention to deny that the powers of legislation with which you will thus be invested, may give rise to questions scarcely susceptible of a complete or satisfactory solution. On the contrary I am well aware that the trust is of a very peculiar and critical nature, and that nothing but the extreme hazard of exempting our fellow subjects in China from an effective local control, would justify such an innovation on the general principles by which the exercise of the Legislative Authority of Independent States is limited. The anomaly such as it is in theory, will I am persuaded be deprived in practice of the risks which might otherwise attend it, by the care which you will constantly employ to promulgate no law which could give any just or plausible ground of offence to the Chinese authorities. Exercising your powers with constant moderation and with a vigilant regard to the prejudices no less than to the reasonable jealousy of the people and Government of China, you will I trust be enabled to derive from them the advantage of an effective control over H.M.'s subjects, uncompensated for by the disadvantage of giving umbrage to a power with which it will be your duty to maintain the most friendly relations.

With regard to the minor details of your Legislative duties as Superintendent it is sufficient for me to observe that H.M.'s Instructions have referred you to the rules already laid down for your guidance in making Laws for the Government of Hong Kong . . . The two series will be distinct, and will be communicated by you, either to myself or to the Secretary of State for the Colonies, as they may be promulgated either in the one or the other of the two capacities in which you will act. But the forms and the general rules of proceeding will in both cases be the same.

I am &c.

Signed Aberdeen

DOCUMENT NO. 10

**Dispatch from Lord Aberdeen to Sir John Davis, No. 4,
February 28, 1844, Relating to the Control over British
Subjects in the Treaty Ports** **CO129/8**

Foreign Office. February 28, 1844.

No. 4

Sir,

The Commissions which Her Majesty has been pleased to issue on the occasion of your proceeding to China, and the full power under the Great Seal which Her Majesty has likewise granted to You, and which are severally enclosed in my despatches Nos. 1, 2 and 3, of this date, confer upon you full and sufficient authority for the execution of the duties which will devolve upon you as Her Majesty's Plenipotentiary and Chief Superintendent of British Trade in China.

By the first Commission which has been issued to you in pursuance of the Powers vested in the Crown by the Act of the 3rd and 4th Will: IV: cap. 93, Her Majesty has appointed you to be Chief Superintendent of the Trade of Her subjects to and from the Dominions of The Emperor of China for the purpose of protecting and promoting such Trade; and Her Majesty by the same Commission has likewise, in pursuance of the Act of the 6 and 7 Vict: c: 80: made provision for the event of a vacancy occurring in that office.

By the second Commission which has been issued to you in pursuance of the last mentioned Act of the 6 and 7 Vic: cap. 80:, Her Majesty has been pleased to confer upon you, in your character of Superintendent, and so long as you shall also be Governor of the Island of Hong Kong to which office you have been appointed by an Instrument which you will receive from the Secretary of State for the Colonial Department, power to enact, with the advice of the Legislative Council of that Island, all such Laws and Ordinances as may from time to time be required for the peace, order and good

government of Her Majesty's Subjects being within the dominions of The Emperor of China, or being within any Ship or Vessel at a distance of not more than 100 miles from the coast of China, and to enforce the execution of such Laws and Ordinances, by Penalties and Forfeitures.

By the Full Power under the Great Seal you are authorized to treat of and arrange with any P. P. appointed by the Emperor of China, any matters which may come into discussion between the Two Crowns.

In addition to the Powers thus imparted to you by specific instruments, the superintendence and control of all Her Majesty's Consular Servants in China is vested in your hands; and you are moreover authorized under the restrictions and limitations which you will find recorded in various despatches from this Office which will be made over to you by your predecessor, to exercise a certain degree of control over Her Majesty's Naval and Military Forces in the China Seas.

The several powers which I have enumerated will enable you, I conceive, amply to provide for any state of things that can be expected to occur in China; and Her Majesty's Government trust that the confidence which they manifest by conferring upon you a degree of authority more comprehensive in extent and more unusual in character than is ordinarily imparted to any Servant of the Crown, will be an additional inducement to you to prove that Their confidence has been well bestowed, by the judicious and moderate manner in which that authority is supervised.

You have had the opportunity of perusing the whole of the correspondence which has passed between this Office and your Predecessor during his residence in China, and you have seen both the nature of his transactions during that period, and the views of Her Majesty's Government upon the several points which have from time to time been submitted by him for their decision. It is therefore only necessary that I should lay down some general principles by which Her Majesty's Government would desire that your conduct should, as far as possible, be regulated.

I need scarcely state to you in the outset that the only commerce which Her Majesty's Government would desire to see maintained with China, is that which shall be strictly legal and consistent with the Treaty engagements subsisting between the Two Countries. All other commerce which British Subjects may attempt to carry on with the inhabitants of China, it will be your duty to discountenance to the utmost. With regard however to legal commerce, Her Majesty's Government would wish you constantly to bear in mind that it is likely to flourish in proportion as it is allowed to develop itself unfettered by minute regulations, and untrammelled by official interference. It is true that the peculiar character of our intercourse with China calls for a certain degree of supervision on the part of British Authorities, but the principle by which that supervision should be regulated is that of preventing any cause of discussion or dissension arising between the British Traders and the Chinese Authorities, at the same time that the rights and

privileges secured to the former, by Treaty, are steadily upheld, and secured from disregard or interference on the part of the latter.

Her Majesty's Government are aware that there has been much in the commercial intercourse of British Subjects with China, especially of late years, which will require to be amended before the trade between the Two Countries can be expected to assume a sound and healthy aspect, and the apprehension of serious misunderstandings with the Chinese Authorities arising out of attempts to persevere in a vicious system, entirely laid aside. Much firmness, therefore, will be required on your part not only as regards the Chinese Authorities, but also as regards British Subjects; and to enable you to act with promptitude and effect as regards the last the unusual power of legislating for the government of British Subjects in China has been delegated to you by the Crown.

The manner and the extent to which you shall exercise this power will be matter for your most serious consideration. You will derive valuable assistance in this respect from the Legal Authorities connected with the Colonial Government over which you preside; and the only general principle which I would wish you to bear in mind is that you are dealing with British Subjects to whom, from education and social habits, the exercise of arbitrary power must necessarily be most repugnant, and therefore can only be justified by extreme necessity.

I do not anticipate that any occasion is likely to arise in which you will find it advisable to negotiate and sign any formal instrument in the shape of a Treaty, in virtue of the Full Power with which you are provided. The Treaty of Nanking, with the Supplementary Treaty, the Fifteen Articles, and the Tariff, which are severally to be taken as part of the first named Treaty, appear to comprehend every topic which it is requisite, or which it would be expedient to record in a formal instrument, and it may be doubted whether it would be advisable to incur the risk of running counter to the long received prejudices of the Chinese Government by pressing upon them, without some overpowering necessity, a renewal of discussions and negotiations, which might even tend to weaken the effect of those which have happily, and most skilfully been brought to a close by your Predecessor. The main points for the regulation of intercourse between the Two Countries on a friendly footing have been adjusted, and minor points which may occasionally arise will, doubtless, be susceptible of arrangement by a simpler process than the conclusion of a distinct Treaty. But as unforeseen emergencies may occur, and as moreover circumstances do not admit of a diplomatic agent being accredited by Her Majesty to the Emperor of China, in the form usually adopted among European Nations, it has been thought advisable that you should possess some instrument of authority under Her Majesty's Signature, empowering you to treat with the Chinese Ministers, upon which, in case of necessity, you may claim to act.

It will be proper that as soon as possible after your assumption of Office in China, you should communicate the fact of your arrival to the Chinese Authority whom Sir Henry Pottinger may point out to you as the one to whom such a notification should be addressed; and you will request that authority to make known to his Government

that you have been appointed by The Queen to succeed Sir H. Pottinger in the several Offices which he has held in China, and that you are invested with the same powers, and animated with the same disposition as your Predecessor, to promote friendly relations between the Two Countries. You will take advantage of the same opportunity to intimate to the Chinese Government that Her Majesty has approved of the Supplementary Treaty signed by Sir H. Pottinger at Homun-Chai, on the 8th of October last, and that Her Majesty will be prepared to ratify it, in a manner corresponding with that in which it may have been ratified by The Emperor of China as soon as the Original Treaty arrives in this Country.

In all your intercourse with the Chinese Authorities you will make it your constant endeavour to impress them with a conviction that Her Majesty's Government most earnestly desire that no cause of difference should hereafter occur to disturb the harmony between the Two Nations. You will profess your readiness to cooperate with them, as far as circumstances will permit, to ensure a faithful observance by British Subjects of the laws and customs of the Chinese Empire, and of the regulations which have been laid down for their commercial dealings, but you will at the same time point out that all efforts on the part of British Authorities will be ineffectual, unless the Chinese Authorities, on their side, exert themselves to control the conduct of their own people; and that their power of control is more easy of application and more likely to be effectual in operation than any which can be employed by British Authorities, however desirous these last may be to keep their countrymen within proper bounds.

I do not think it necessary to enter at any length on the subject of the Opium Trade, as the Secretary of State for the Colonial Department has already fully stated to you the opinions and wishes of Her Majesty's Government on that matter. As far as the discussions with the Chinese Authorities are concerned, they have terminated, according to the inclosures of Sir H. Pottinger's Despatch: No. 143, of the 4th of November, in a statement, on the part of the former, that they were unable even to discuss any further at that time the question of legalizing the importation of Opium into China on payment of a moderate duty, and by a declaration, on the part of Sir Henry Pottinger, that notwithstanding all the measures which he has taken to prevent any illicit trade being carried on by British Subjects in the Ports and on the Coasts of China, the Chinese Government can alone effectually put a stop to such practises by imposing sufficient restraint upon their own subjects. Nevertheless, Her Majesty's Government rely upon your taking advantage of any favourable opportunity to urge the Chinese Government to adopt a sounder policy with respect to this question. It cannot fail to be a continual source of embarrassment to all parties as long as it is allowed to remain in its present state; and whether the main ground of opposition to legalizing the trade exists in the personal sentiments of The Emperor, or in the intrigues of Chinese Officers who find their profit in the continuance of a smuggling trade, an opportunity may still present itself, which, if judiciously taken advantage of, may enable you to overcome the scruples of the Sovereign, or to expose the fraudulent practices of

his adherents, and thus get rid of a system pregnant with so much danger and so thoroughly demoralizing as that which now unfortunately prevails.

The functions which Her Majesty's Consuls in China will be required to exercise are of a very peculiar character, and will call for the exertion on your part of unremitting superintendence and control. It will in some respects be convenient to you to have to deal with the Consular system in China almost from the commencement, so that you will be able to lay down such rules respecting it as may appear to you most suitable to the circumstances in which the Consuls will be called upon to act. It will of course be desirable that the general rules for the guidance of Her Majesty's Consuls should be adhered to as far as possible; but the new duties which will be imposed upon the Consuls in China will require new rules, especially as regards the exercise of jurisdiction over British Subjects. The practice in this respect which is observed in the Levant, will doubtless be applicable to China; and the main question for your consideration will be how far it may be expedient or necessary to empower the Consuls to proceed in the adjustment of Civil Differences, or in the repression or punishment of Criminal offences, which may arise within the limits of their respective districts. One thing must always be borne in mind in dealing with the last description of cases, namely, that certainty rather than severity of punishment, is to be counted upon in most of the cases which may come before the Consuls, as likely to produce a salutary effect.

It will be your duty to cause the Consuls steadily to keep in view the wish of Her Majesty's Government that all Her Majesty's Servants in China should conciliate the goodwill of the Authorities and People of the Country. They may effect this object without any sacrifice of the interests which they are specially appointed to protect, and although in particular cases the performance of their duty may be unpalatable to some British Subjects whose irregularities they may find it necessary to check, it cannot be doubted that the general advantage of British Trade will be best consulted by proving to the Chinese Government that its progress and extension are compatible with respect for the feelings and opinions of the nation at large.

I have but little to say on the last description of authority vested in you, namely that by which you are enabled, to a certain degree, to control Her Majesty's Naval and Military Forces in the China Seas. I rely upon your bearing in mind that the assumption of a right of interference in matters of this nature, on the part of a Civil Servant of the Crown, is likely to be viewed with much jealousy and dislike by Officers who are subject to it; while the same Officers would most cordially assist in carrying out the wishes of the Civil Servant if presented to them in a manner less repugnant to their professional feelings. Bearing this in mind you will, I doubt not, find the utmost readiness on the part of the naval and military commanders to cooperate with you on all occasions; and the advantage which must result to the Public Service from the perfect harmony of the Civil, Naval, and Military Servants of the Crown in so distant a quarter of the world, and under circumstances of so peculiar a nature, will, I am sure, weigh with you and induce you to

spare no pains to ensure unanimity of feeling and of action among those who are called upon to act in concert for the promotion of the Public interest.

Before I conclude this despatch, I will advert to some points on which you may naturally wish to be made acquainted with the views of Her Majesty's Government.

First then, as regards more direct communication with the Court at Peking, if an intimation should be conveyed to you that The Emperor would desire your presence at His Capital, and if His Imperial Majesty should afford you sufficient assurance that you would be treated as becomes the Representative of the Queen, and would not be invited or required to submit to any degrading ceremonial, Her Majesty's Government would think it advisable that you should defer in this respect to the wishes of His Imperial Majesty, and present yourself at His Court. But a further question may arise, whether you should seek to enter into direct correspondence with the Chinese Ministers residing at the seat of government? If unreasonable difficulties should be raised by the Chinese Authorities with whom in the ordinary course of things you will come in contact, and if you should think it probable that a direct appeal to the Imperial Government would be likely to bring about a removal of those difficulties, I should not consider the unusual character of the proceeding to be a sufficient obstacle to deter you from having recourse to it. But it is a measure not lightly to be adopted, and until our increased intercourse with China shall have led to our policy being better understood and our motives more justly appreciated, I should think that it would be prudent to abstain, except under very pressing circumstances, from any attempt to open a direct correspondence with Peking, which if unsuccessful would probably be productive of very great inconvenience. Your object should always be to avoid advancing pretensions, or urging claims, which may be of a doubtful character, or not admit of being maintained by reference to Treaty engagements. Nothing must be so strictly guarded against as affording the Chinese Authorities opportunity for withholding acquiescence in any demands which you may address to them; but by allowing them to see that on some occasions they may evade compliance with your wishes without calling for the such strong remonstrance as you would be justified in using while protesting against the infringement of Treaty engagements, they may be encouraged to pursue the same course in violation of those engagements, and thereby give occasion to violent and angry discussion.

The next point to which I will allude is the feeling of Her Majesty's Government with regard to the intercourse of other Nations with China. On this I have only to say that Her Majesty's Government have no other wish than that all the Nations of the world should have equal access with themselves to the great mart which the success of Her Majesty's Arms has opened to them. The more China is brought within the pale of European Civilization, the more extensive will be the benefits which will accrue to British Interests; and Her Majesty's Government have therefore seen with peculiar satisfaction the stipulation, so wisely inserted by Sir Henry Pottinger, in the Supplementary Treaty, by which the privileges occurred to British Trade are freely conceded to the Trade of all other Nations.

Finally, as regards the position in which, as Her Majesty's Plenipotentiary and Chief Superintendent of British Trade in China, you stand towards the Governor-General of India, I have to acquaint you that it is not intended that His Excellency should have any greater degree of control over you than would result from the respectful attention with which you would naturally consider the wishes of a Functionary in whom so important a trust as the administration of the British Empire in India is vested. You will of course keep the Indian Government fully informed upon all matters of general interest, and you will communicate freely with it on questions more peculiarly bearing upon the Trade which is carried on between India and China..

I am &c

(Signed) ABERDEEN

DOCUMENT NO. 11

Order of Her Majesty in Council for the government of Her Majesty's subjects being within the Dominions of the Emperor of China, or being within any ship or vessel at a distance of not more than one hundred miles from the Coast of China. [Ending the Hong Kong Legislative Council's Authority over British subjects in China]

At the Court at Buckingham Palace,
the 13th day of June, 1853

Present:

THE QUEEN'S MOST EXCELLENT MAJESTY IN COUNCIL

Whereas by an Act passed in the 3rd and 4th years of the reign of His late Majesty King William the Fourth, intituled "An Act to regulate the Trade to China and India", it was among other things enacted, that it should and might be lawful for His Majesty to appoint not exceeding three of His Majesty's subjects to be Superintendents of the Trade of His Majesty's subjects to and from the dominions of the Emperor of China; and by any Order or Orders in Council to make and issue directions and regulations touching the said trade and for the government of His Majesty's subjects within the said dominions:

And whereas by a certain other Act passed in the 6th and 7th years of Her Majesty's reign, intituled "An Act for the better government of Her Majesty's subjects resorting to China", it was among other things enacted, that it should be lawful for Her Majesty to authorize the Superintendent of the Trade of Her Majesty's subjects in China (so long as such Superintendent should be also the Governor of the Island of Hong Kong) to enact, with the advice of the Legislative Council of the said Island of Hong Kong, all such Laws and Ordinances as might from time to time be required for the

peace, order, and good government of Her Majesty's subjects being within the dominions of the Emperor of China, or being within any ship or vessel at a distance of not more than one hundred miles from the coast of China; and that it should also be lawful for Her Majesty, by any Order or Orders in Council, to ordain, for the government of Her Majesty's subjects, being within the dominions of the Emperor of China, or being within any ship or vessel at a distance of not more than one hundred miles from the coast of China, any Law or Ordinance which to Her Majesty in Council might seem meet:

And whereas by a certain other Act passed in the 6th and 7th years of Her Majesty's reign, intituled "An Act to remove doubts as to the exercise of power and jurisdiction by Her Majesty within divers countries and places out of Her Majesty's dominions, and to render the same more effectual", it was among other things enacted, that it should be lawful for Her Majesty to hold, exercise, and enjoy any power or jurisdiction which Her Majesty now hath or may at any time hereafter have with any country or place out of Her Majesty's dominions, in the same and as ample a manner as if Her Majesty had acquired such jurisdiction by the cession or conquest of territory:

And whereas by Treaty, Grant, Sufferance, or other lawful means, Her Majesty hath power and jurisdiction over British subjects within the dominions of the Emperor of China, and the same or certain parts thereof have heretofore been exercised on behalf of Her Majesty by Her Majesty's Consular officers resident within the said dominions:

And whereas in pursuance of the powers vested in Her Majesty by the above-recited Act of the 3rd and 4th years of the reign of His late Majesty King William the Fourth, Her Majesty was pleased, by an Order in Council passed on the 24th day of February, 1843, to prohibit her subjects from resorting, for the purposes of trade and commerce, to any other ports in the dominions of the Emperor of China than those of Canton, Amoy, Foochowfoo, Ningpo, and Shanghai, or than might be in the occupation of Her Majesty's forces:

And whereas Her Majesty was pleased, by a certain other Order in Council passed on the 2nd day of October, 1843, to order, that if any law or ordinance made in pursuance of the above-recited Act passed in the 6th and 7th years of Her Majesty's reign, intituled "An Act for the better government of Her Majesty's subjects resorting to China", should be in anywise repugnant to or at variance with the above-recited Order of Her Majesty in Council of the 24th day of February, 1843, or with certain Orders passed by His late Majesty King William IV, on the 9th of December, 1833, for the government and trade of His Majesty's subjects at Canton in the dominions of the Emperor of China, and for the appointment of a court of justice with criminal and Admiralty jurisdiction for the trial of offences committed by His Majesty's subjects within the said dominions and the ports and havens thereof, or on the high seas within one hundred miles from the coast of China; or with a certain other Order passed by Her Majesty on the 4th day of January, 1843, directing that the said court of justice should be holden in the Island of Hong Kong,

for the purposes aforesaid; then such law or ordinance, so long as the same should be in force, should be obeyed and observed; anything in the said recited Orders in Council contained to the contrary in anywise notwithstanding:

And whereas Her Majesty was pleased by a certain other Order in Council, passed on the 17th day of April, 1844, to order that Her Majesty's Consuls and Vice-Consuls resident within the dominions of the Emperor of China, or such other persons as by warrant under the hand and seal of the Chief Superintendent of the Trade of Her Majesty's subjects in China for the time being should be appointed to act provisionally as Consuls or Vice-Consuls, should severally in the districts within which they might respectively be appointed to reside, have and hold all necessary power and authority to exercise jurisdiction over British subjects within such districts as aforesaid, for the repression and punishment of crimes and offences by them committed within the dominions of the Emperor of China, and for the arrangement and settlement of all and all manner of differences, contentions, suits and variance that might or should happen to arise between them or any of them; and should moreover have power and authority, as far as in them might lie, to compose and settle all and all manner of differences, contentions, suits, and variances, that might or should happen to arise between British subjects and the subjects of the Emperor of China, or between British subjects and the subjects of any foreign Power, and which might be brought before them for settlement, and Her Majesty was further pleased to order that Her Majesty's Consuls and Vice-Consuls in China, or any persons acting provisionally as such Consuls or Vice-Consuls, should, in the exercise of the jurisdiction so granted to them, be governed by such laws and ordinances in that behalf as might be enacted with the advice of the Legislative Council of the Island of Hong Kong, by the Superintendent of the Trade of Her Majesty's subjects in China for the time being, being the Governor of Hong Kong; and Her Majesty was further pleased to appoint the Colony of Hong Kong as the British colony, wherein crimes and offences committed by British subjects within the dominions of the Emperor of China, which it might be expedient should be inquired of, tried, determined, and punished within Her Majesty's dominions, should be so inquired of, tried, determined, and punished:

And whereas in virtue of the powers conferred upon Her Majesty by the above-recited Act passed in the 6th and 7th years of Her Majesty's reign, intituled "An Act for the better government of Her Majesty's subjects resorting to China", divers ordinances have, by authority of Her Majesty, from time to time been enacted by the Superintendent of the Trade of Her Majesty's subjects in China, being the Governor of the Island of Hong Kong, with the advice of the Legislative Council of the said island; and whereas it is expedient to consolidate and amend the same:

I. Now, therefore, in pursuance of the above-recited Act passed in the 3rd and 4th years of the reign of His late Majesty King William the Fourth, intituled "An Act to regulate the trade to China and India", and in pursuance of the above-recited Act passed in the 6th and 7th years of Her Majesty's reign, intituled "An Act for the better government of Her Majesty's subjects resorting to

China", and in execution of the powers thereby in Her Majesty in Council vested, Her Majesty is pleased, with the advice of her Privy Council, to order, and doth hereby order, That from and after the first day of November next ensuing each and every Ordinance enacted as aforesaid by the Superintendent of the Trade of Her Majesty's subjects in China, being the Governor of the Island of Hong Kong, with the advice of the Legislative Council of the said island, between the 23rd day of January, 1844, and the 28th day of January, 1852, shall be and is hereby repealed: Provided always, that anything done by the Chief Superintendent or any Consul or Vice-Consul, or person duly authorized to act as such, in pursuance of any Ordinance so repealed previously to the first day of November next ensuing, shall have the same force and effect as if this present Order had not been passed.

II. And it is further ordered, That the term "Chief Superintendent" in this present Order shall be construed to mean the Superintendent of British Trade in China for the time being, or the person duly authorized to act as such; and the term "Consul" shall be construed to include all and every officer in Her Majesty's service, whether Consul-General, Consul, Vice-Consul, or Consular Agent, or person duly authorized to act in any of the aforesaid capacities within the dominions of the Emperor of China, and engaged in carrying out the provisions of this Order; and that wherever in this Order, with reference to any person, matter, or thing, any word or words is or are used importing the singular number, or the masculine gender only, yet such word or words shall be understood to include several persons as well as one person, females as well as males, and several matters or things as well as one matter or thing, unless it be otherwise specially provided, or there be something in the subject or context repugnant to such construction; and that the terms "British ship or vessel", or "ship or vessel under the British Flag", shall be taken and held to include any ship or vessel British-registered and navigated according to law, and any ship or vessel owned by a party entitled by law to be an owner of a British-registered vessel, and any ship or vessel provided with sailing-letters from the Governor of the Colony of Hong Kong, or from the Chief Superintendent of Trade; and that the term "crew" shall be taken and held to include all persons employed in navigating any ship or vessel which may be proceeded against for a breach of the provisions of the present Order.

III. And it is further ordered, That the Chief Superintendent, or Consul in the port, place, or district in which he may reside, shall have full power and authority to carry into effect, and to enforce by fine or imprisonment, as hereinafter provided, the observance of the stipulations of treaties now existing or which may hereafter be made between Her Majesty, her heirs and successors, and the Emperor of China, his heirs and successors, and to make, and enforce by fine or imprisonment, rules and regulations for the observance of the stipulations of such treaties, and for the peace, order, and good government of Her Majesty's subjects being within the dominions of the Emperor of China, or being within any British ship or vessel at a distance of not more than one hundred miles from the coast of China, and to enforce in like manner such rules and regulations as have heretofore been made and continue unrepealed at the time of the passing of the present order.

IV. And it is further ordered, That all rules and regulations heretofore made and continuing unrepealed, or to be hereafter made by the Chief Superintendent or Consul, as aforesaid, shall forthwith be printed, and a copy of the same be affixed and kept affixed and exhibited in some conspicuous place in the public office of the said Chief Superintendent or Consul; and printed copies of the said rules and regulations shall be provided by the said Chief Superintendent or Consul, and sold at a price not exceeding one dollar for each copy, and for the purpose of convicting any person offending against the said rules and regulations, and for all other purposes of law whatsoever, a printed copy of the said rules and regulations, certified under the hand of the said Chief Superintendent or Consul to be a true copy thereof, shall be taken as conclusive evidence of such rules and regulations; and no penalty shall be incurred, or shall be enforced, for the breach of any such rules or regulations to be hereafter made, until the same shall have been so affixed and exhibited for one calendar month in the public office of the Consular district within which the breach of such rules or regulations shall be alleged to have been committed: Provided always, that no rule or regulation to be hereafter made by any of Her Majesty's Consuls, and to be enforced by a penalty, shall take effect until it has been submitted to, and approved by, the Chief Superintendent, and has thereupon been printed, and a copy of the same has been affixed and exhibited as aforesaid for one calendar month in the public office of the Consular district.

V. And it is further ordered, That it shall be lawful for the Chief Superintendent or Consul as aforesaid, upon information, or upon the complaint of any party, that a British subject has violated any of the stipulations of treaties between Her Majesty and the Emperor of China, or has disregarded or infringed any of the rules and regulations for the observance of the stipulations of such treaties, affixed and exhibited according to the provisions of the next preceding article of this present Order, to summon before him the accused party, and to receive evidence and examine witnesses as to the guilt or innocence of such party in regard to the offence laid to his charge; and to award such penalty of fine or imprisonment to any party convicted of an offence against the said treaties or the said rules and regulations, as may be specified in the said treaties or in the said rules and regulations; and any charge against a British subject for a breach of treaties, or for a breach of the rules and regulations for the observance of such treaties, shall be heard and determined by the Chief Superintendent or Consul without assessors: Provided always, that in no case shall the penalty to be attached to a breach of the said rules and regulations exceed five hundred dollars, or three months' imprisonment.

VI. And it is further ordered, That any charge against a British subject for a breach of rules and regulations other than those relating to the observance of treaties, shall in like manner be heard and determined by the Chief Superintendent or Consul; and in all cases in which the penalty shall not exceed two hundred dollars or one month's imprisonment, the Chief Superintendent or Consul shall hear and determine the charge summarily without the aid of assessors; but where the penalty attached to a breach of the rules and regulations other than those relating to the observance of

treaties shall amount to more than two hundred dollars or to imprisonment for more than one month, it shall be obligatory upon the Consul, but not upon the Chief Superintendent, before he shall proceed to hear the charge, to summon two British subjects of good repute residing within his district to sit with him as assessors, which assessors shall however have no authority to decide on the innocence or guilt of the party charged, or on the amount of fine or imprisonment to be awarded to him on conviction; but it shall rest with the Consul to decide on the guilt or innocence of the party charged, and on the amount of fine or imprisonment to be awarded to him: Provided always, that in no case shall the penalty to be attached to a breach of rules and regulations other than those for the observance of treaties exceed five hundred dollars or three months' imprisonment; and provided further, that in the event of the said assessors or either of them dissenting from the conviction of the party charged, or from the penalty of fine or imprisonment awarded to him by the Consul, the Consul shall take a note of such dissent, with the grounds thereof, and shall require good and sufficient security for the appearance of the party convicted at a future time in order to undergo his sentence or receive his discharge; and the Consul shall within twenty days report his decision, with all the particulars of the case, together with the dissent of the assessors or either of them, and the grounds thereof, to the Chief Superintendent; and the Chief Superintendent shall have authority to confirm, or vary, or reverse the decision of the Consul, as to him may seem fit: Provided always that if an appeal shall be entered against the decision of the Consul, no such report shall be made to the Chief Superintendent on the ground of the dissent of the assessors or either of them, but the appeal shall be prosecuted in the manner hereinafter ordered.

VII. And it is further ordered, That in any question relating to the observance of treaties, or of rules and regulations for the observance of treaties, or of rules and regulations other than those for the observance of treaties, a report of any or every decision made by a subordinate Consular officer, with or without the aid of assessors, shall be sent in to the superior Consular officer of the district, and that on the receipt of such report, the superior Consular officer of such district shall proceed, without assessors, to revise such decision as to him may seem fit, and such revision shall have, for the purposes of this Order, the same effect as if the case had been originally heard and determined by such superior Consular officer with or without the aid of assessors: Provided always, that in any case in which the assessors or either of them shall dissent from the decision of a subordinate Consular officer, such decision shall not be subject to revision by the superior Consular officer, but, in the event of no appeal being entered as aforesaid, shall be submitted to the Chief Superintendent for revision in the same manner as if such decision had been made by the superior Consular officer.

VIII. And it is further ordered, That any party tried and convicted before a Consul for a breach of treaties between Her Majesty and the Emperor of China, or for a breach of rules and regulations for the observance of such treaties, or for a breach of rules and regulations other than those relating to the observance of treaties,

may appeal, after sentence given by such Consul, to the Chief Superintendent, who shall have power to confirm, or vary, or reverse such sentence, as to him may seem fit, and to adjudge the expenses of such appeal, and from whose decision there shall be no appeal; and upon notice given of such appeal, which notice must be given to the Consul in writing, signed by the party appealing, within fifteen days, the Consul shall be entitled to require reasonable security from the party so appealing, which security shall in part consist of one or two sufficient sureties to be approved by the Consul, to the intent that if the Chief Superintendent should confirm or vary the sentence passed by the Consul, the appellant shall submit to such sentence, and likewise pay what shall be adjudged by the Chief Superintendent for expenses: Provided always, that the Consul shall forthwith report such appeal and transmit a copy of the proceedings of such trial to the Chief Superintendent, and the party appealing against the sentence of the Consul shall be required to prosecute his appeal before the Chief Superintendent within such time as shall be by the Consul, with the approval of the Chief Superintendent, assigned for the prosecution of such appeal; and if the party appealing shall not duly prosecute his appeal within such time as aforesaid, it shall be lawful for the Consul to enforce his sentence in the same manner as if such appeal had not been interposed.

IX. And it is further ordered, That if any party charged with an offence committed against such treaties, or such rules and regulations as aforesaid, shall escape or remove from the Consular district within which such offence was committed, and shall be found within another Consular district, it shall be lawful for the Consul within whose district such party shall be found, to proceed against him in the same manner as if the offence had been committed within such district.

X. And it is further ordered, That it shall be lawful for the Consul of the district, within which the party sued shall be found, to hear and determine any suit of a civil nature against a British subject, arising within any part of the dominions of the Emperor of China, whether such suit be instituted by a subject of the Emperor of China or by a subject or citizen of a foreign State in amity with Her Majesty; and if either or any party in such suit shall be dissatisfied with the decision given by such Consul, it shall be lawful for such party within fifteen days to give to the Consul notice of appeal to the Chief Superintendent; whereupon the Consul shall, with as little delay as possible, transmit all the documents which were produced before him and none other, together with a statement of the grounds on which he has formed his decision, to the Chief Superintendent, and shall forthwith notify to the several parties the transmission of the process; and saving the provision contained in Article XV of this Order, the Chief Superintendent shall decide on such documents and on such statement, and shall communicate his decision to the Consul, who shall forthwith proceed to carry the same into execution; and against such decision of the Chief Superintendent there shall be no appeal: Provided always, that it shall be lawful for the Consul to require from any party appealing to the Chief Superintendent, or to the Supreme Court of the Colony of Hong Kong in the case hereinafter mentioned, reasonable security, which

shall consist in part of one or two sufficient sureties to be approved by the Consul, that such party shall abide by the decision to be given respectively by the Chief Superintendent, or by the said Supreme Court.

XI. And it is further ordered, That it shall be lawful for the Consul of the district, within which the party sued shall be found, in like manner to hear and determine any suit of a civil nature, arising within any part of the dominions of the Emperor of China, instituted by a British subject against a subject of the Emperor of China, or against a subject or citizen of a foreign State in amity with Her Majesty, provided that the defendant in such suit shall consent to submit to his jurisdiction and give sufficient security that he will abide by the decision of the Consul, or in case of appeal by that of the Chief Superintendent, and will pay such expenses as the Consul or Chief Superintendent shall adjudge; and if either or any party in such suit shall be dissatisfied with the decision given by such Consul, it shall be lawful for such party within fifteen days to give to the Consul notice of appeal to the Chief Superintendent, and the proceedings in such a suit, or in an appeal arising therefrom, shall be conformable to and under the same conditions as the proceedings in a suit, or in an appeal arising therefrom, in which a British subject is defendant, and a subject of the Emperor of China, or a subject or citizen of a foreign State in amity with Her Majesty, is plaintiff.

XII. And it is further ordered, That in the event of any suit of a civil nature arising between British subjects within the dominions of the Emperor of China, it shall be lawful, upon the application of a party, for the Consul of the district, within which the party sued shall be found, to hear and determine such suit, subject to an appeal to the Chief Superintendent in any case where the sum in dispute shall not exceed one thousand dollars: and every such appeal shall be made and conducted in the same manner and form and under the same conditions as in cases in which the defendant only is a British subject: Provided always, that when the sum in dispute shall exceed one thousand dollars the appeal shall lie to the Supreme Court of the Colony of Hong Kong, and not to the Chief Superintendent.

XIII. And it is further ordered, That it shall be lawful for any of Her Majesty's Consuls, before whom any suit whatever of a civil nature is brought for decision, to summon two, and not more than four, British subjects of good repute, residing within his district, to sit with him as assessors at the hearing of such suit: and in case the sum sought to be recovered shall exceed five hundred dollars, such suit shall not be heard by the Consul without assessors, if within a reasonable time such assessors can be procured; and the assessors aforesaid shall have no authority to decide on the merits of such suit, but in the event of such assessors or any or either of them dissenting from the decision of the Consul, the Consul shall enter the fact of such dissent and the grounds thereof in the minutes of the proceedings, and in case of appeal shall transmit the same to the Chief Superintendent together with the documents relating to the suit.

XIV. And it is further ordered, That it shall be lawful for the Chief Superintendent or Consul to enforce his decision against a British subject in a civil suit, by distress or imprisonment, in like manner as a decision of the Supreme Court of the Colony of Hong Kong in a civil suit is enforced within the said Colony.

XV. And it is further ordered, That in an appeal to the Chief Superintendent from the decision of a Consul, it shall not be open to either or any party to adduce any further evidence than that which has been laid before the Consul: and that a party shall not be required to appear personally to prosecute an appeal or support a sentence: Provided always, that in all appeals from the decision of a Consul, it shall be lawful for a party to allege facts essential to the issue of the suit, which have come to his knowledge subsequently to the decision of the Consul, and to produce evidence in support of such facts: and Provided also, that in an appeal to the Supreme Court of the Colony of Hong Kong, it shall moreover be lawful for the said Supreme Court to admit any further legal evidence, besides that adduced before the Consul, on its being established to the satisfaction of the said Supreme Court, by oath or affidavit, that the party desiring to produce such further evidence, was ignorant of the existence of such evidence, or was taken by surprise at the hearing before the Consul, or was unable to produce it before the Consul, after due and reasonable diligence and exertion on his part in that behalf, or where under the circumstances of the case, it shall appear to the said Supreme Court that further evidence ought to be received.

XVI. And it is further ordered, That the Chief Superintendent or Consul shall have power in a civil suit to examine on oath or in such form and with such ceremony as he may declare to be binding on his conscience, any witness who may appear before him, and shall have power, on the application of any party in the said suit, to issue a compulsory order for the attendance of any person, being a British subject, who may be competent to give evidence in such suit, and any British subject having been duly served with any such compulsory order, and with a reasonable notice of the day of the hearing of such suit, upon his expenses of appearing as a witness having been paid or tendered to him by the party at whose application he shall have been ordered to attend, shall on his wilful default to appear as a witness at the hearing of such suit, be punished with a fine not exceeding one hundred dollars, or with imprisonment for a period not exceeding thirty days, at the discretion of the said Chief Superintendent or Consul; and every witness, being a British subject, so examined as aforesaid, in case of wilful false testimony, may be convicted of and punished for the crime of wilful and corrupt perjury.

XVII. And it is further ordered, That it shall be lawful for the Chief Superintendent or Consul to promote the settlement of a suit or contention by amicable agreement between the parties, and with the consent of the several parties to refer the decision of a suit or contention to one or more arbitrators, and to take security from the parties that they will be bound by the result of such reference, and the award of such arbitrator or arbitrators shall be to all intents and purposes deemed and taken to be a judgment or sentence

of the Chief Superintendent or Consul, in such suit or contention, and shall be entered and recorded as such, and shall have the like effect and operation, and shall be enforced accordingly, and shall not be open to appeal.

XVIII. And it is further ordered, That it shall be lawful for any of Her Majesty's Consuls to cause to be apprehended and brought before him any British subject who may be charged with having committed any crime or offence within the dominions of the Emperor of China, or within any British ship or vessel being within one hundred miles from the coast of China, or within any ship or vessel on the high seas within the same limits not being lawfully entitled to claim the protection of the flag of any State or nation, or within any Chinese ship or vessel within the said limits: and such Consul shall thereupon proceed with all convenient speed to inquire of the same, and for such purpose and end shall have power to examine on oath, or in such form and with such ceremony as he shall declare to be binding on his conscience, any witness who may appear before him to substantiate the charge; and shall have power to compel any person being a British subject who may be competent to give evidence as to the guilt or innocence of the party so charged, to appear and give evidence, and to punish the wilful default of any such person to appear and give evidence, after reasonable notice of the day of the hearing of such charge, by fine or imprisonment, in like manner as provided in Article XVI of this Order; and shall examine every such witness in the presence and hearing of the party accused, and afford the accused party all reasonable facility for cross-examining such witness; and shall cause the deposition of every such witness to be reduced to writing, and the same to be read over, and, if necessary, explained to the party accused, together with any other evidence that may have been urged against him during the course of the inquiry; and shall require such accused party to defend himself against the charge brought against him, and, if necessary, advise him of the legal effects of any voluntary confession, and shall take the evidence of any witness whom the accused party may tender to be examined in his defence; and every witness, being a British subject, so examined as aforesaid, in case of wilful false testimony, may be convicted and punished for the crime of wilful and corrupt perjury: and when the case has been fully inquired of, and the innocence or guilt of the person accused established to the satisfaction of the Consul, the Consul, as the case may be, shall either discharge the party accused from custody, if satisfied of his innocence, or proceed to pass sentence on him, if satisfied of his guilt: And it shall be lawful for any Consul, having inquired of, tried, and determined, in the manner aforesaid, any charge which may be brought before him, to award to the party convicted any amount of punishment not exceeding imprisonment for one month, or a fine of two hundred dollars.

XIX. And it is further ordered, That if the crime or offence whereof any person, being a British subject, may be accused before any of Her Majesty's Consuls as aforesaid, shall appear to such Consul to be of such a nature as, if proved, would not be adequately punished by the infliction of such punishment as aforesaid, it shall be lawful for such Consul to summon two, or not more than four,

British subjects of good repute residing within his district, to sit with him as assessors for inquiring of, trying, and determining the charge against such person; and the Consul who shall try any such charge with the assistance of assessors as aforesaid, shall, if he is himself convinced of the guilt of the party accused, have power to award any amount of punishment not exceeding imprisonment for twelve months, or a fine of one thousand dollars; and the assessors aforesaid shall have no authority to decide on the innocence or guilt of the party accused, or on the amount of punishment to be awarded to him on conviction; but in the event of the said assessors, or any or either of them, dissenting from the conviction of, or from the amount of punishment awarded to the accused party, the said assessors, or any or either of them, shall be authorized to record in the minutes of the proceedings the grounds on which the said assessors, or any or either of them, may so dissent; and the Consul shall forthwith report to Her Majesty's Chief Superintendent the fact that such dissent has been so recorded in the minutes of the proceedings, and shall as soon as possible lay before him copies of the whole of the depositions and proceedings, with the dissent of the assessor or assessors recorded therein; and it shall be lawful thereupon for Her Majesty's Chief Superintendent, by warrant under his hand and seal, addressed to the Consul by whom the case was determined, to confirm, or vary, or remit altogether, as to him may seem fit, the punishment awarded to the party accused; and such Consul shall give immediate effect to the injunction of any such warrant,

XX. And in order more effectually to repress crimes and offences on the part of British subjects within the dominions of the Emperor of China, it is further ordered, That it shall and may be lawful for any of Her Majesty's Consuls to cause any British subject who shall have been twice convicted before him of any crime or offence and punished for the same, and who after execution of the sentence of the Consul on any second conviction shall not be able to find good and sufficient security to the satisfaction of the Consul for his future good behaviour, to be sent out of the dominions of the Emperor of China; and to this end any such Consul as aforesaid shall have power and authority, as soon as may be practicable after execution of the sentence on such second conviction, to send any such twice convicted party to the Colony of Hong Kong, and meanwhile to detain him in custody, until a suitable opportunity for sending him out of the said dominions shall present itself; and any person so to be sent out of the said dominions as aforesaid shall be embarked in custody on board one of Her Majesty's vessels of war, or if there should be no such vessel of war available for such purpose, then on board any British vessel, bound to Hong Kong, and it shall be lawful for the commander of any of Her Majesty's ships of war, or of any British vessel bound to Hong Kong, to receive any such person as aforesaid under a warrant from the Consul addressed to the Chief Magistrate of Police of the Colony of Hong Kong, and thereupon to convey him in custody to Hong Kong, and on his arrival there to deliver him with the said warrant into the custody of the said Chief Magistrate of Police, or other officer of Her Majesty within the said Colony lawfully acting as such, who on the receipt of the said warrant and of the party therein named, shall be authorized to commit and shall commit such party to the common gaol of the said

Colony, to be there detained in custody subject to the directions of the Chief Superintendent for any period not exceeding three months; and any such party so embarked on board any of Her Majesty's ships of war or any British vessel bound to Hong Kong for conveyance in custody to Hong Kong, shall be conveyed to Hong Kong in the same manner as if he were a distressed British subject, unless he shall be willing and able himself to defray the expenses of his passage to Hong Kong.

XXI. And it is further ordered, That in any case in which any British subject shall be accused before any of Her Majesty's Consuls of the crime of arson, or house-breaking, or cutting and maiming, or stabbing, or wounding, or assault endangering life, or of causing any bodily injury dangerous to life, the proceedings before the Consul shall be carried on with the aid of assessors convened in the manner aforesaid; and it shall be lawful for the Consul, if to him it shall seem fit, to cause any person convicted before him of any of the crimes aforesaid, over and above any fine or imprisonment which may be awarded to such person, to be sent out of the dominions of the Emperor of China and to the Colony of Hong Kong in the manner pointed out in the next preceding Article of this Order, notwithstanding the crime laid to the charge of such person may be the first of which he has been convicted before the Consul.

XXII. And it is further ordered, That it shall be lawful for any of Her Majesty's Consuls within the dominions of the Emperor of China, upon information laid before him by one or more credible witnesses that there is reasonable ground to apprehend that any British subject is about to commit a breach of the public peace, to cause such British subject to be brought before him, and to require such British subject to give sufficient security to keep the peace; and in the event of any British subject being convicted of and punished for a breach of the peace, to cause such British subject after he shall have undergone the punishment which may have been awarded to him by the Consul, to find security for his good behaviour; and in the event of any British subject who may be required as aforesaid to give sufficient security to keep the peace, or to find security for his good behaviour, being unable or wilfully omitting to do so, then and in that case it shall be lawful for Her Majesty's Consul to send such British subject out of the dominions of the Emperor of China and to the Colony of Hong Kong in the manner pointed out in Article XX of this Order.

XXIII. And it is further ordered, That in all cases in which a British subject shall have been sent out of the dominions of the Emperor of China to the Colony of Hong Kong as provided in Articles XX, XXI, and XXII of this Order, the Consul sending him out shall forthwith report such act of deportation with the grounds of his decision to Her Majesty's Chief Superintendent; and on the arrival of such person at Hong Kong, after the sentence of the Consul shall have been duly executed, it shall be lawful for the Chief Superintendent to send him to England; and a party so to be sent to England by the Chief Superintendent may be embarked and conveyed to England in the manner provided in Article XX of this Order with regard to the embarkation and conveyance of such party to the Colony of Hong Kong; Provided always, that if the Chief Superintendent

shall consider that any such act of deportation inflicts upon the party a severer punishment than his offence has deserved, it shall be lawful for the Chief Superintendent to vary or remit such punishment, as to him shall seem fit.

XXIV. And it is further ordered, That a report of every sentence passed by a subordinate Consular officer in the matters referred to in Articles XVIII, XIX, XX, XXI, and XXII, of this Order, and awarding a fine exceeding twenty dollars, or imprisonment for more than ten days, shall be sent in to the superior Consular officer of the district, and on the receipt of such report, such superior Consular officer shall proceed without assessors to revise such sentence as to him may seem fit; and if the sentence should have been pronounced by the subordinate Consular officer without assessors or with the concurrence of assessors, then the decision pronounced by the superior Consular officer on revision of the proceedings shall be final; but if the sentence of the subordinate Consular officer shall have been pronounced with dissent on the part of the assessors or of any or either of them, then the superior Consular officer shall not proceed to revise such sentence, but shall submit the whole proceedings to the Chief Superintendent in the same manner as if the case had been originally heard and decided by the superior Consular officer with dissent on the part of the assessors or of any or either of them.

XXV. And it is further ordered, That it shall be lawful for any of Her Majesty's Consuls to send any person sentenced to imprisonment under this Order, at any time while such sentence of imprisonment is in course of execution, to the Colony of Hong Kong in any of Her Majesty's ships of war, or in any British vessel, to undergo his term of imprisonment in the common gaol of the said Colony; and it shall be lawful for the Commander of any of Her Majesty's ships of war, or of any British vessel, to receive any such person on board, with a copy of such sentence and a warrant from the Consul for its due execution, addressed to the Chief Magistrate of Police of the said colony, and thereupon to convey him in custody to Hong Kong, and on his arrival there to deliver him with the said copy of such sentence and warrant into the custody of the said Chief Magistrate of Police, or other Officer of Her Majesty within the said Colony lawfully acting as such, who on the receipt of the said warrant, and of the person therein named, shall be authorized to commit, and shall commit such person to the common gaol of the said colony, and such sentence shall be enforced to execution in the said manner as if the sentence had been awarded by the Supreme Court of the Colony of Hong Kong.

XXVI. And it is further ordered, That in cases of assault it shall be lawful for the Consul before whom complaint is made, to promote reconciliation between the parties, and to suffer compensation and amends to be made, and the proceedings thereby to be stayed.

XXVII. And it is further ordered, That save and except as regards offences committed by British subjects against the stipulations of Treaties between Her Majesty and the Emperor of China, or against rules and regulations for the observance of the stipulations of such Treaties, duly affixed and exhibited according to the provisions of

Article IV of this Order, or against rules and regulations for the peace, order, and good government of Her Majesty's subjects, being within the dominions of the Emperor of China, or being within any British ship or vessel at a distance of not more than one hundred miles from the coast of China, duly affixed and exhibited as aforesaid, and save and except as regards the offence of engaging in trade declared by Article XXXIV of this Order to be unlawful, no act done by a British subject being within the dominions of the Emperor of China, or being within any ship or vessel at a distance of not more than one hundred miles from the coast of China shall, by the Chief Superintendent or by any of Her Majesty's Consuls, be deemed and taken to be a crime, or misdemeanour, or offence, rendering the person committing it amenable to punishment, which, if done within that part of Her Majesty's dominions called England, would not by a court of justice having criminal jurisdiction in England, have been deemed and taken to be a crime, or misdemeanour, or offence, rendering the person so committing it amenable to punishment.

XXVIII. And it is further ordered, That a minute of the proceedings in every case heard and determined before a Consul in pursuance of this Order, shall be drawn up and be signed by the Consul, and shall, in cases where assessors are present, be open for the inspection of such assessors, and for their signature, if they shall therein concur; and such minute, together with the depositions of the witnesses, shall be preserved in the public office of the said Consul, and a copy of every such minute and of such depositions shall, if the Chief Superintendent shall see fit to require them, be transmitted by the Consul to the said Chief Superintendent.

XXIX. And it is further ordered, That the Chief Superintendent shall have the same power and jurisdiction in regard to breaches of treaties, and breaches of rules and regulations, and in regard to crimes and offences committed by British subjects, as are granted to Her Majesty's Consuls by the provisions of this present Order; and if any person charged with an offence against any such treaties, or against any such rules and regulations, or with any crime or offence committed within the dominions of the Emperor of China, or within any British ship or vessel within one hundred miles from the coast of China, or within any ship or vessel on the high seas within the said limits not being lawfully entitled to claim the protection of the flag of any state or nation, or within any Chinese ship or vessel within the said limits, shall escape to, or be found within the Colony of Hong Kong, it shall be lawful for the Chief Magistrate of Police of the said colony for the time being, or other officer of Her Majesty within the said colony lawfully acting as such, and he is hereby required, on a requisition addressed to him by the Chief Superintendent under his hand and seal, to cause such person to be apprehended and brought before him the said Chief Magistrate or other officer; and the said Chief Magistrate or other officer on such person being brought before him, shall proceed to inquire into the offence laid to the charge of such person, in the same manner as if such person was charged with having committed an offence within the Colony of Hong Kong, and the said Chief Magistrate or other officer having so inquired, shall report the result of such inquiry to the Chief Superintendent, and shall forthwith transmit to him the depositions with all the documents or other proofs which have been

made or produced before him against or in behalf of the person so charged, and shall meanwhile detain the person so charged in custody or hold him to bail, and the Chief Superintendent shall thereupon direct the person so charged to be discharged, or shall proceed to award to such person the punishment to which he may be liable under the provisions of this Order, in the same manner as if the case had been originally inquired of, tried, and determined by the Chief Superintendent; and the decision of the Chief Superintendent in every such case shall be final; and any sentence of imprisonment awarded by the Chief Superintendent shall be enforced to execution in the common gaol of the Colony of Hong Kong, in the same manner as if the sentence had been awarded by the Supreme Court of the said Colony: Provided always, that the Chief Superintendent may, if he deems it advisable for the better decision of such cases, call in the assistance of two or more assessors, who, however, shall only have power to advise, but shall not have power to decide: and provided further, that the said Chief Magistrate of Police of the Colony of Hong Kong, or any person lawfully acting on his behalf, or under his authority, shall not be liable to any action for damages in consequence of proceedings taken by him in pursuance of any requisition addressed as aforesaid by the Chief Superintendent to the said Chief Magistrate.

XXX. And it is further ordered, that save and except as regards offences committed by British subjects against the stipulations of Treaties between Her Majesty and the Emperor of China, or against rules and regulations for the observance of the stipulations of such Treaties, duly affixed and exhibited according to the provisions of Article IV of this Order, or against rules and regulations for the peace, order, and good government of Her Majesty's subjects, being within the dominions of the Emperor of China, or being within any British ship or vessel at a distance of not more than one hundred miles from the coast of China, duly affixed and exhibited as aforesaid, and save and except as regards the offence of engaging in trade declared by Article XXXIV of this Order to be unlawful, which offences shall be enquired of, tried, determined, and punished, in the manner hereinbefore and by Article XXXIV of this Order provided, and not otherwise, the Supreme Court of the Colony of Hong Kong shall have and may exercise, concurrently with the said Chief Superintendent or Consul, authority and jurisdiction in regard to all crimes and offences, committed by British subjects being within the dominions of the Emperor of China, and the ports and havens thereof, or on the high seas within any ship or vessel at a distance of not more than one hundred miles from the coast of China, in the same and as ample a manner as if such crimes and offences had been committed within the Colony of Hong Kong: Provided always, that the Supreme Court shall not be bound, unless in a fit case it shall deem it right so to do, by writ of certiorari or otherwise, to debar or prohibit the Chief Superintendent or Consul from taking cognizance, pursuant to the provisions of Articles XVIII, XIX, XX, XXI, and XXII, of this Order, of any crime, or misdemeanour, or offence, committed by a British subject, being within the dominions of the Emperor of China, or being within any ship or vessel at a distance of not more than one hundred miles from the coast of China.

XXXI. And it is further ordered, That it shall be lawful for the Chief Superintendent or Consul, to cause any British subject charged with the commission of any crime or offence the cognizance whereof may at any time appertain to him, to be sent, in any of Her Majesty's ships of war, or in any British vessel, to the Colony of Hong Kong, for trial before the Supreme Court of the said colony; and it shall be lawful for the commander of any of Her Majesty's ships of war or of any British vessel to receive any such person on board, with a warrant from the said Chief Superintendent or Consul, addressed to the Chief Magistrate of Police of the said colony, and thereupon to convey him in custody to Hong Kong, and on his arrival there to deliver him, with the said warrant, into the custody of the said Chief Magistrate of Police, or other officer of Her Majesty within the said colony lawfully acting as such, who on the receipt of the said warrant and of the party therein named, shall be authorized to commit, and shall commit such party so sent for trial to the common gaol of the said colony, and it shall be lawful for the keeper of the said common gaol to cause such party to be detained in safe and proper custody, and to be produced upon the order of the said Supreme Court; and the Supreme Court at the sessions to be next holden shall proceed to hear and determine the charge against such party in the same manner as if the crime, with which he may be charged, had been committed within the Colony of Hong Kong.

XXXII. And it is further ordered, That the Chief Superintendent or Consul, on any occasion of sending a prisoner to Hong Kong for trial, shall observe the provisions made with regard to prisoners sent for trial to a British colony in an Act passed in the 6th and 7th years of Her Majesty's reign, intituled "An Act to remove doubts as to the exercise of power and jurisdiction by Her Majesty within divers countries and places out of Her Majesty's dominions, and to render the same more effectual".

XXXIII. And it is further ordered, That the Supreme Court of the Colony of Hong Kong shall have and may exercise, concurrently with the Chief Superintendent or Consul, authority and jurisdiction in regard to all suits of a civil nature between British subjects arising within any part of the dominions of the Emperor of China; Provided always, that the said Supreme Court shall not be bound, unless in a fit case it shall deem it right so to do, by writ of certiorari or otherwise, to debar or prohibit the Chief Superintendent or Consul from hearing and determining, pursuant to the provisions of the several Articles of this Order, any suit of a civil nature between British subjects, or to stay the proceedings of the Chief Superintendent or Consul in any such matter.

XXXIV. And it is further ordered, That all trade whatsoever of Her Majesty's subjects in, to, or from any part of the coast of China to the northward of the thirty-second degree of north latitude, shall be unlawful; and each and every party engaged in such trade, as principal, agent, ship-owner, shipmaster, or supercargo, shall be liable to be apprehended by any of Her Majesty's Consuls, and shall be sent by him to Hong Kong in any of Her Majesty's ships of war or in any British vessel, for trial before the Chief Superintendent, and it shall be lawful for the Commander of any of Her Majesty's ships of war or of any British vessel, to receive any such

party on board under a warrant from the said Consul addressed to the Chief Magistrate of Police of the Colony of Hong Kong, and thereupon to convey him in custody to Hong Kong, and on his arrival there to deliver him, with the said warrant, into the custody of the said Chief Magistrate of Police, or other officer of Her Majesty within the said colony lawfully acting as such, who on the receipt of the said warrant and of the party therein named, shall be authorized to commit, and shall commit such party so sent for trial to the common gaol of the said colony, and it shall be lawful for the keeper of the said common gaol to cause such party to be detained in safe and proper custody, and to be produced upon the order of the said Chief Superintendent, and the said Chief Superintendent shall forthwith proceed to hear and determine the charge against such party, and such party upon conviction before the Chief Superintendent shall be liable to a fine not exceeding ten thousand dollars, or to imprisonment for a term not exceeding two years, and the sentence of the Chief Superintendent shall be enforced to execution in the same manner as if the sentence had been awarded by the Supreme Court of the Colony of Hong Kong.

XXXV. And it is further ordered, That it shall be lawful for any of the Commanders of Her Majesty's ships, or any other officer duly authorized in that behalf, to seize any ship or vessel under the British flag which may reasonably be suspected of having been engaged, or of being engaged, in trade declared in the next preceding Article to be unlawful, and to bring such ship or vessel, and the master, officers, supercargo, and crew thereof to the Colony of Hong Kong, or to any other place where the Chief Superintendent may for the time being be resident, or direct the same to be brought, and there to detain such ship or vessel, and the master, officers, supercargo, and crew thereof, until the said Chief Superintendent shall have tried and determined the charges which may be brought against them, or any of them, of having been engaged in such unlawful trade.

XXXVI. And it is further ordered, That all fines and penalties imposed under this Order may be levied by distress and seizure and sale of ships, and goods and chattels; and no bill of sale, mortgage or transfer of property made after the apprehension of a party, or with a view to security in regard to crimes or offences committed or to be committed, shall avail to defeat any of the provisions of this order.

XXXVII. And it is further ordered, That it shall be lawful for the Chief Superintendent from time to time to establish rules of practice to be observed in proceedings before the said Chief Superintendent or Consul, and to make regulations for defraying the expenses of witnesses in such proceedings and the costs of criminal prosecutions, and also to establish rates of fees to be taken in regard to civil suits heard and determined before the said Chief Superintendent or Consul, and it shall be lawful for the said Chief Superintendent or Consul to enforce by seizure and sale of goods, or if there be no goods, by imprisonment, the payment of such established fees, and of such expenses as may be adjudged against the parties, or either or

any of them: Provided always, that a table specifying the rates of fees to be so taken shall be affixed and kept exhibited in the public office of the said Chief Superintendent or Consul.

XXXVIII. And it is further ordered, That all fees, penalties, fines, and forfeitures levied under this Order, save and except such penalties as are by treaty payable to the Chinese Government, shall be paid to the public account, and be applied in diminution of the public expenditure on account of the Superintendent and Control of British Trade in China: Provided always, that in the event of the Chinese authorities declining to receive fines payable to the Chinese Government as aforesaid, the same shall be paid to the public account, and applied in the manner last mentioned.

XXXIX. And it is further ordered, That it shall be lawful for any of Her Majesty's Consuls to grant probate of the will or letters of administration to the intestate estate of a British subject deceased and leaving property within the limits of the district within which such Consul shall exercise authority; and in the case of a party so deceased either leaving a will or intestate, it shall be lawful for the Consul, provided that probate of the will or letters of administration to the estate of the party deceased shall not have been applied for within thirty days by any person lawfully entitled thereto, to administer to such estate, and to reserve to himself out of the proceeds of such estate a commission not exceeding two and a-half per centum.

XL. And it is further ordered, That a register shall be kept by each and every of Her Majesty's Consuls, of all British subjects residing within the ports, places, or districts of China within his jurisdiction, and that every British subject now residing within the dominions of the Emperor of China who shall not be already enrolled in any such Consular register, shall within a reasonable time after the promulgation of this Order, to be specified in a notice to be affixed and publicly exhibited in the Consular Office, apply to the Consul of the district to be enrolled in such register; and every British subject who may arrive within the said dominions, save and except any British subject who may be borne on the muster-roll of any British ship arriving in a port of China, shall within a reasonable time after his arrival, to be specified as aforesaid, apply to the Consul of the district to be enrolled in such register; and any British subject who shall refuse or neglect to make application so to be enrolled, and who shall not be able to excuse, to the satisfaction of the said Consul, such his refusal or neglect, shall not be entitled to be recognized or protected as a British subject in any difficulties or suits whatsoever, in which he may have been involved within the dominions of the Emperor of China within the time during which he shall not have been so enrolled.

XLI. And it is further ordered, That the Consul within his Consular district may exercise any of the powers which by any Acts of the Imperial Parliament now enacted or hereafter to be enacted for the regulation of merchant seamen, or for the regulation of the mercantile marine, may be exercised by one or more justices of the peace within Her Majesty's dominions.

XLII. And it is further ordered, That nothing in this Order contained shall be taken or construed to preclude a British Consul within the dominions of the Emperor of China from performing any act of administration, or jurisdiction, or other act, which British Consuls within other States at amity with Her Majesty are by law, usage, or sufferance enabled to perform.

XLIII. And it is further ordered, That it shall be lawful for the Chief Superintendent or Consul to execute a writ of the Supreme Court of the Colony of Hong Kong, and take security from each and every party named in such writ for his appearance in person or by his attorney at Hong Kong, and in default of such security, to send such party to Hong Kong in the manner pointed out in Article XXXI of this Order; Provided always, that the Chief Superintendent or Consul shall not be liable to an action for the escape of any party captured under any such writ.

XLIV. And it is further ordered, That any suit or action brought against the Chief Superintendent or Consul in the Supreme Court of the Colony of Hong Kong, by reason of anything done under the authority and in execution of the power or jurisdiction of Her Majesty entrusted to him by this Order, shall be commenced or prosecuted within six months after he shall have been within the jurisdiction of the said Court, and not otherwise, and the defendant in every such action or suit shall be entitled to the benefit of the provisions made with respect to defendants in actions or suits, in an Act passed in the 6th and 7th years of Her Majesty, intituled "An Act to remove doubts as to the exercise of power and jurisdiction by Her Majesty within divers countries and places out of Her Majesty's dominions, and to render the same more effectual".

XLV. And it is further ordered, That the Supreme Court of the Colony of Hong Kong shall have power to take cognizance of offences committed by British subjects within the Peninsula of Macao, and of suits originating there, when the party offending, or the party sued shall come or be found within its jurisdiction; but it shall not have power to issue any warrant or writ to be executed or served within the Peninsula of Macao.

XLVI. And it is further ordered, That if any provision of any Article of this Order shall be in any wise repugnant to, or at variance with, certain Orders passed by his late Majesty King William IV on the 9th day of December, 1833, or certain Orders passed by Her Majesty on the 4th day of January, 1843, and on the 24th day of February, 1843, and on the 2nd day of October, 1843, and on the 17th day of April, 1844, or any of them, then such provision of such Article of this Order, so long as the same shall be in force, shall be obeyed and observed, anything in the said recited Orders in Council contained to the contrary in any wise notwithstanding.

XLVII. And it is further ordered, That if any law or ordinance hereafter made in pursuance of the Act of the 6th and 7th years of Her Majesty's reign, intituled "An Act for the better Government of Her Majesty's subjects resorting to China", shall be in any wise repugnant to or at variance with any of the provisions of this

present Order of Her Majesty in Council, then such law or ordinance, so long as the same shall be in force, shall be obeyed and observed, anything in this Order contained to the contrary in any wise notwithstanding.

XLVIII. And it is further ordered, That this Order shall take effect from and after the 1st day November next ensuing.

And the Right Honourable the Earl of Clarendon and His Grace the Duke of Newcastle, two of Her Majesty's Principal Secretaries of State, and the Lords Commissioners of the Admiralty, are to give the necessary directions herein, as to them may respectively appertain.

WM. L. BATHURST

III. THE OPIUM TRADE

This section dealing with the opium trade needs little introduction. The Chinese regarded the opium trade as the main cause of the hostilities which had been ended by the Treaty of Nanking; the British, on the other hand, consistently argued that the suppression of the contraband trade in opium was entirely a matter for the Chinese and that it was no part of the duty of British officials to enforce the law of a foreign state. Nevertheless the opium trade was regarded as discreditable, and the British government supported the view, held by Pottinger, that the prospect of a new era of friendly relations with China would be jeopardised if that trade was allowed to continue and flourish in the new Colony under the shelter of the British flag. As earnest of British goodwill therefore, Pottinger was instructed to forbid opium ships from using Hong Kong, Document No. 12. The next Document, No. 13, is Sir Henry Pottinger's Proclamation against the argument used by some merchants that the new tariff could be interpreted as sanctioning the import of opium into China.

This conciliatory policy was countered by the British opium dealers by the simple expedient of sending the opium store-ships from Hong Kong to the outer anchorages; but the main difficulty was the fear that the British government's action would not check the opium trade but merely drive it into non-British hands. Document No. 14, which is a letter from the Foreign Office to the Colonial Office, authorised the suspension of the prohibition, and before Davis had been in Hong Kong a year, he announced the abandonment of steps to control the trade, Document No. 15.

It is difficult to give precise figures of the opium trade. It was a contraband trade in China up to 1858 and in Hong Kong, being a free port, there were no officials whose duty it was to collect statistics regarding commerce. Davis reported to the Secretary of State on May 13, 1844 that he was unable to recommend any local resident as an unofficial member of the Legislative Council because "almost every person possessed of capital who is not connected with government employment is employed in the opium trade." So the opium trade at Hong Kong must have been considerable. The Opium Commission set up in 1840 to deal with the question of compensation for the opium surrendered at Canton in 1839 on Captain Charles Elliot's orders, gives a picture of the trade as it was in that year. From 1854 to 1859 the Hong Kong annual Blue books each year give the amount of opium and treasure carried to and from Hong Kong by the Peninsular and Oriental Steam Navigation Co. However interesting these figures may be, they clearly cannot claim to be an inclusive figure, and there seems little point in including them here.

A comprehensive estimate of the opium trade is given in Document No. 16 and is that made by Sir Richard MacDonnell in 1868 in a dispatch to the Secretary of State. This governor was able and conscientious, but it must be borne in mind that in this dispatch his principal concern was to argue that Hong Kong was not the vast centre of opium smuggling that the Chinese accused it of being and on account of which they were "blockading" the island with revenue cruisers.

Document No. 17 gives the Additional Article to the Chefoo Convention of 1876, negotiated in London in July 1885, and No. 18 gives the Opium Agreement of September 1886 negotiated under that Article. As a result of this Agreement, the Hong Kong Government set up an Imports and Exports Office under the Harbourmaster, in 1887 to record and control all shipments of opium in and out of the Colony. From this date, official figures of the opium trade for Hong Kong exist, but they are not in themselves exhaustive evidence of Hong Kong's stake in the opium trade. The Colony was the headquarters of the chief opium firms and the figures take no account of direct shipments to mainland ports and not passing through the Colony, but yet from which the Hong Kong merchants equally profited. The opium trade continued at a high level until 1907 when progressive restrictions were imposed by the Imperial Government.

DOCUMENT NO. 12

**Extract of a Dispatch from Lord Aberdeen to Sir Henry
Pottinger, No. 7, January 4, 1843, Prohibiting the Opium
Trade in Hong Kong** CO 129/3

No. 7

Foreign Office,
January 4th, 1843

But whatever may be the result of your endeavours to prevail with the Chinese Government to legalize the sale of opium, it will be right that Her Majesty's servants in China should hold themselves aloof from all connection with so discreditable a traffic. The British opium smuggler must receive no protection or support in the prosecution his illegal speculations; and he must be made aware that he will have to take the consequences of his own conduct. Her Majesty's Government as I have stated above have not the power to put a stop to this trade on the part of the British smuggler, but they may perhaps impede it in some degree by preventing the island of Hongkong, or its neighbouring waters from being used as the point from whence British smugglers shall depart on their illegal adventures. As the case stands at present with regard to Hongkong, The Queen cannot prohibit the importation of opium into Hongkong; but as soon as you assume the Government of the Island on the completion of its cession to the Crown, you will have the power to prohibit the importation of opium into Hongkong for the purpose of exportation, or its deposit on board receiving

vessels in the waters of Hongkong for the same purpose. You will also have the power to prevent vessels with cargoes of opium from frequenting the Port of Hongkong on their way to the coasts of China. If the importation of opium into Hongkong in greater quantities than are required for consumption in the Island is prohibited, the undue resort of vessels with opium on board, as giving room to suspicion that the opium is intended to be introduced into the Island contrary to the prohibition, may also reasonably be prohibited.

Her Majesty's Government however are sensible that this measure, though it may relieve them from the imputation of encouraging the Opium Trade, will do but little to mitigate the evils which result from the present system. They wish therefore that you would consider whether it would be possible to place the trade, even as a smuggling trade on a less discreditable footing than that on which it is now carried on. The only effectual remedy indeed is in the power of the Chinese Government, and therefore, it will be proper that you should do your utmost to induce that Government to sanction the trade, even if they should confine it to the single port of Canton. Her Majesty's Government would in that case, endeavour to assist the Chinese Government in carrying this limitation into effect by withholding clearance for vessels having opium on board, which should be destined to other ports. But so long as the prohibition against the introduction of opium into China is absolute, Her Majesty's Government can do no more for China in that respect than prevent the Island of Hongkong from being a resort and market for the British smuggler.

. . .

DOCUMENT NO. 13

PROCLAMATION

BY H.E. Sir Henry Pottinger regarding the Opium Trade
1st August 1843

It having been brought to my notice, that such a step has been contemplated, as sending vessels with opium on board, into the ports of China to be opened by treaty to foreign trade; and demanding, that the said opium shall be admitted to importation, in virtue of the concluding clause of the new tariff, which provides for all articles not actually enumerated in that tariff, passing at an ad valorem duty of five per cent: I think it expedient, by this proclamation, to point out to all whom it may concern, that opium being an article, the traffic in which is well known to be declared illegal and contraband by the laws and imperial edicts of China, any person who may take such a step will do so at his own risk, and will, if a British subject, meet with no support or protection from Her Majesty's consuls, or other officers.

This proclamation will be translated and published in Chinese, so that no one may plead ignorance of it.

G O D S A V E T H E Q U E E N

Dated at the Government House, at Victoria, this 1st day of August, 1843.

HENRY POTTINGER

DOCUMENT NO. 14

**Letter from the Foreign Office to the Colonial Office
proposing the suspension of the Opium Vessels from
Hong Kong**

CO 129/3

Foreign Office
November 11, 1843

G. W. Hope, Esq.

Sir,

I am directed by the Earl of Aberdeen to request that you will acquaint Lord Stanley that Sir Henry Pottinger in his late dispatches expresses a strong opinion that it would neither be necessary nor desirable to exclude British vessels trading in opium from Hongkong harbour or its waters. Sir Henry Pottinger stated this opinion to the Chinese Plenipotentiary in a memorandum dated the 8th July last, and in that paper he expressed a strong opinion that the exclusion of those vessels would only add to the evil of the present state of things, adducing in support of that opinion observations and arguments which appear to Lord Aberdeen to be cogent and of much weight.

It appears moreover that Sir Henry Pottinger is still in communication with the Chinese authorities with the view of effecting the legislation of the Opium Trade in some way or other, and that he does not despair of success.

A reference to the instructions to Sir Henry Pottinger on the subject of the Opium Trade, contained in the extract of Lord Aberdeen's despatch No. 7 of the 4th January last, which was communicated to the Colonial Office on the 9th of that month, will show Lord Stanley the terms in which the question of the resort of opium vessels to Hongkong was treated of in that despatch. But, on further consideration of the subject, Lord Aberdeen conceives that it might be expedient to pay due regard to the observations of Sir Henry Pottinger on this point, and to authorise him to suspend for the present any measures for the exclusion of opium vessels from the waters and harbour of

Hongkong if he should think it expedient so to do. I am therefore to request that you will submit this opinion to Lord Stanley, and, if His Lordship should concur in it, Lord Aberdeen will without delay instruct Sir Henry Pottinger to that effect.

I am Sir,
Your most obedient, humble servant,

H. M. ADDINGTON

[Lord Stanley concurred formally on 15th November.]

DOCUMENT NO. 15

Extract from a Dispatch from Sir John Davis to Lord Stanley,
No. 79, December 28, 1844, regarding the Opium Trade

CO 129/7

No. 79

Victoria, HongKong
28th December, 1844

The Right Honorable
Lord Stanley, M.P. &c. &c. &c.

My Lord,

I have the honour to forward by this Despatch an Ordinance, No. 21 of 1844, for licensing the sale for consumption within this Colony, of Salt, Opium, and other substances used by the Chinese and natives of India.

I have Your Lordship's authority for obtaining a revenue from Opium consumed within the Colony; and as the Farming system at Singapore has produced upwards of £23,000 per annum, it seemed the most expedient course to adopt the same in Hongkong, with nearly the same regulations.

All scruples with reference to the Chinese Government appear to me to be done away with by Kiyang's last communication to me in regard to opium, copy of which I have the honour to enclose. He there requests that no notice may be taken of the conduct of the Chinese Government towards its own people on the subject of opium; and proposes in return that I should make what regulations I please for British subjects on the same point.

The Opium Trade is now fairly established by general connivance along the whole coast of China, the only interference on the part of the affairs of the Government being to ensure to themselves a large portion of the profits. I am not aware of a single edict against Opium since my arrival in China, and whole chests of the drug are

publicly landed at Shanghai and other places. Under these *altered* circumstances, any scruples on our part, within our own Colony, appear to me to be more than superfluous. . . .

I have the honour to be, with the highest respect
Your Lordship's most humble, obedient servant,

J. F. DAVIS

DOCUMENT NO. 16

**A Dispatch from Sir Richard Graves MacDonnell to The
Secretary of State the Duke of Buckingham and Chandos,
No. 553 August 6, 1868, giving an estimate of the Opium
Trade in 1868.**

CO 129/132

No. 553

Government House,
Hong Kong. August 6, 1868

My Lord Duke,

By last mail I had the honor to transmit a Memorial from the Mercantile Community of this Colony against the recent establishment of a cordon of customs stations by the Chinese authorities around this harbour and at the same time I gave some further explanations on what I believed to be the tendency of the operations then commenced.

2. I am now enabled to supplement those details by an extract from a despatch from Sir Rutherford Alcock to Consul Robertson which the latter Officer has transmitted for my information and I consider it fortunate that he has done so, because Your Grace is thereby placed fully in possession of the reasons by which Her Majesty's Minister justifies his approval of the Policy pursued by the Chinese. Those reasons therefore incur no risk of being weakened by any misinterpretation or omission of mine.

3. The impression which a perusal of them produced on me was that Sir Rutherford had not comprehended the full scope of the operations commenced by the Chinese Authorities. If the Proclamation of the Vice-Roy be placed beside Sir Rutherford's despatch it will be at once apparent that the Regulations enforced by the former, and to which I have taken exception as "ultra vires", and contrary to existing Treaty provisions are in no way supported by any direct argument used by Sir Rutherford.

4. On the contrary the argument of the latter is almost entirely confined to an assertion of the abstract right of the Chinese Authorities to establish customs on their own territory and to prevent frauds on their Revenue by "the illicit landing of goods on their coast".

5. It is impossible not to concede so evident a truth or to deny the right of the Chinese to stop frauds on their Revenue "by any means which do not violate the Treaties in force", and I may add that measures within the limit of treaty rights to prevent frauds, whether in the case of opium or any other goods, would be equally justifiable.

6. All this however may be true in the abstract and nevertheless the measures actually adopted by the Chinese Authorities may be wholly indefensible and against Treaty. To me this appears so plain that it looks as if Sir Rutherford had not understood the whole extent of the scheme which he so emphatically approved.

7. The question is surely not a very difficult one. There are only three treaties in force between this Government and China which can affect the subject. These are the Treaty of Nanking 1842, the Treaty of Tientsin 1858 ratified in October 1860 and the Convention of Peking 1860.

8. For all purposes affecting the questions under consideration the Treaty of Tientsin with the Tariff and the Rules annexed thereto may be regarded as the only "scripta lex" on the subject and the sole Treaty standard to which the legality and propriety of the Vice-Roy's proceedings can be referred.

9. Reference to that Treaty, proves that Opium, like other articles in the Tariff, is subject to a duty of 30 taels per picul and the only difference made between it and other articles is that its carriage by British subjects into the interior of China for purposes of trade is prohibited, and also that, unlike other British imports which may have paid tariff duties, it is not protected against an excessive levy of Transit dues subsequent to its being landed.

10. On the other hand the Proclamation of the Vice-Roy includes all vessels and makes no distinction between the open Treaty Ports and others. It in fact declares that all traders having purchased Opium here, must then i.e. before shipping it "proceed to the nearest (Chinese) tax station" and there report the opium for payment of a new tax imposed by the Vice-Roy of 16 taels the chest.

11. There is no exception made and were it not for the evident absurdity of the demand the Vice-Roy's Customs Officers might under his proclamation seize a P.&O. steamer bound for Shanghai or an American steamer bound for California, having opium on board for either of those destinations, if receipts for payment of the new tax previous to exportation from Hong Kong could not be produced.

12. In fact every vessel found in Chinese waters with opium on board in the neighbourhood of Hong Kong and without receipts showing payment of a new and arbitrary tax would be liable to be boarded, searched, and have the opium confiscated. There can therefore be no question that any such provision contravenes the privilege secured by treaty to Foreigners of importing opium into any open Port in China and paying on it there the fixed tariff duty of 30 taels per picul (133½ lbs).

13. We may now consider the question on the supposition that the proclamation of the Vice-Roy is to be read as applying to Chinese vessels only. I am however told that such is not the case, and the Chinese Authorities consider themselves encouraged by Her Majesty's Minister to include "persons and vessels sailing under Foreign Flags and certainly the latter are not excepted, yet even if they were, I maintain that no nation is entitled to require even its own subjects before shipping exports from a neighbouring friendly state, to pay a tax on such exports, I believe the better opinion to be that each State is bound in its own waters and along its own shores to take the necessary steps for preventing the illicit landing of goods whether by their own subjects or others and I have yet to learn on what grounds the Chinese Government is to be relieved from a trouble and expense imposed on other civilized nations and be upheld in the levy of a tax on exports from Hong Kong over and above the regular tariff duty and above a tax to be collected actually before the said exports are shipped from this port.

14. The accidental geographical position of Hong Kong surrounded by the Chinese Mainland and other Chinese soil in the shape of various islands happens to afford to Chinese Officials, if not prevented, and especially encouraged thereto by Her Majesty's Minister, of adopting a comparatively easy and inexpensive way of levying duties on exports at the place of exportation instead of that of importation and I cannot help feeling that any such attempt to shirk the responsibilities cheerfully undertaken by other Nations is contrary to international usage and must therefore be on that ground illegal, for in reality it matters little whether the Chinese exporter be directed to apply for receipts at a Chinese Customs station in the heart of this City or whether he should have to go for them to Kowloon at the other side of this harbour. So far as mere general convenience is concerned the former system would be preferable.

15. Again I maintain that the impropriety of these new proceedings may be shown by the "argumentum ad absurdum" because if the Vice-Roy can insist on payment before exportation of a new tax of 16 taels per chest why can he not impose a tax of 160 taels and thus practically prohibit the exportation of an article which is by Treaty made an item of legalized barter.

16. I would further inquire, as the Treaty of Tientsin has been made directly between the British Government and the Imperial Government of China and as the rate of duty leviable on imported Opium has been fixed by that Treaty in everything but the Transit duty *payable after its being landed at a Treaty Port*, whether it is competent for the Governor of a Province to impose restrictions on the trade by the imposition of a new tax on that article before it is landed or attempted to be landed in China. If so it is evident that the Tariff established by Treaty is little better than a snare and delusion, for there might be and probably soon would be as many and different rates of taxation thus imposed as there are maritime Provinces in China. In that case what would become of the "collection of duties under one system at all Ports" which is contemplated by rule 10 annexed to the Treaty of Tientsin?

17. For these reasons I cannot but feel that the Vice-Roy has attempted and Her Majesty's Minister has sanctioned a system of which the legality is more than doubtful, whilst there is no doubt at all that such proceedings are contrary to every fair interpretation of the spirit of the Treaty and are just the points on which I should have looked for assistance from the British Diplomatic Authorities in China. I should no doubt have had that assistance if Her Majesty's Minister had been as astute to look after the interests of Her Majesty's Colony as he has been to discover reasons for relieving the Chinese of the burden which protection of the Revenue entails on other Nations.

18. Her Majesty's Minister has however preferred to leave to this Colony the humiliating spectacle of seeing its harbour traversed by armed Chinese boats and cruisers searching for opportunities of boarding vessels and confiscating the goods of traders which frequent our waters, a spectacle which I expect has no parallel in any other part of the world.

19. I need not repeat here the grave arguments against continuance of the present system on the ground of the probable indirect but extensive injury which must accrue to this Colony from the desertion of our waters by the numerous Native trading Junks, which will hesitate to visit a place where they are subject to the imminent risk of detention and extortion however legitimate their pursuits may be. That topic has been dealt with in my previous despatches.

20. I therefore pass from that subject of the importance of which I am certain Your Grace will be duly sensible, to invite attention to the tone of Sir Rutherford Alcock's remarks on the trade in Opium here. His sympathies are all with the Chinese and he designates Macao and Hong Kong as smuggling depots whilst he computes the loss of revenue to China through smuggling as amounting to about a million of taels.

21. Now there are many eminent firms here and many individuals, myself included, who would only be too happy to join in some reasonable arrangement for enabling the Executive here to control such contraband trade as conducted from here provided any such measures could fairly be required in aid of a well regulated preventive service conducted by the Chinese on the principles which guide European Nations in such matters.

22. No opportunity however has been afforded to this Government of declaring its friendly intentions on the subject. A scheme has been concocted, illegal I believe, and certainly in many points of view highly improper, to enable the Chinese to levy an extraordinary and extortionate tax on exports from Hong Kong. The utmost secrecy was observed by the parties concerned and very great pains must have been taken to prevent my becoming acquainted with any part of the intended scheme till it had been fully matured.

23. Having already solicited Your Grace's opinion as to the propriety of conducting proceedings essentially affecting this

Colony in that secret manner, I shall therefore not dwell on that subject further but conclude by asserting that Sir Rutherford Alcock's picture of the amount of contraband trade in Opium from here is greatly exaggerated, although whether it be much or little, no Chinese losses can justify Chinese violations of Treaty engagements or International courtesy or usage.

24. The whole amount of Opium imported annually into Hong Kong may be considered as averaging 80,000 chests, the value being about 11 millions sterling. Of this quantity I believe 63,000 chests go North in steamers to Amoy, Foochow, Ningpo, Shanghai and Tientsin &c and the Chinese Tariff duty is paid on every lb of that Opium.

25. About 10,000 chests go to Macao and it is supposed that 4,000 to 4,500 of those are smuggled into non-Treaty Ports. The remainder are the subject of open and legitimate traffic. There remain the 7,000 chests to be accounted for at Hong Kong. A great quantity of this is shipped openly to Canton and other Ports. A large amount, nearly 3,000 chests is boiled down and shipped for California, whilst of the remainder probably some 500 chests are smuggled in small ventures into different parts of China.

26. The probability however is that out of an importation of 80,000 chests not more than 6,000, three fourths of which are from Macao, escape payment of the regular Tariff and other duties of the Chinese Government, so that the real loss sustained by the Chinese Government of mere Tariff duty at 30 taels per chest instead of being one million of taels is considerably less than 200,000 taels.

27. As however the Chinese Government and its official employees have hitherto shewn in protection of its Revenue, except at Treaty Ports, the utmost apathy alternating with occasional rapacity and extortion on the part of its minor servants it seems to me that such a Government should congratulate itself on only losing a sum far less than that which it would have been obliged to expend on maintaining an adequate preventive service.

28. That however is a point unconnected with the main question now submitted to Your Grace, which question involves no less than the legality of the whole system devised by the Vice-Roy and approved by Her Majesty's Minister in China, and 2ndly the propriety of the course pursued by the latter and Her Majesty's Consul at Canton towards this Government in studiously keeping from my knowledge matters of essential moment to the general interests of this Colony.

29. The first question can be better resolved by English lawyers than by any one here, as no Chinese experience or learning is necessary for the construction of a plain Treaty and the interpretation of International usages. The second point is probably now of more consequence in regard to the future than the past, but it seems still desirable to fix the Rule which Her Majesty's Government

thinks should be established as I have been much embarrassed by the abrupt suddenness with which these questions have been forced on me.

I have the Honor to be,
My Lord Duke,
Your Grace's most obedient, humble servant,

RICHARD GRAVES MACDONNELL

DOCUMENT NO. 17

**Additional Article to the Agreement between Great Britain
and China signed at Chefoo on the 13th September, 1876**

Signed at London, July 18, 1885

THE Governments of Great Britain and of China, considering that the arrangements proposed in clauses 1 and 2 of Section III of the Agreement between Great Britain and China, signed at Chefoo on the 13th September 1876 (hereinafter referred to as the "Chefoo Agreement"), in relation to the area within which li-kin ought not to be collected on foreign goods at the open ports, and to the definition of the foreign Settlement area, require further consideration; also that the terms of clause 3 of the same section are not sufficiently explicit to serve as an efficient regulation for the traffic in opium, and recognizing the desirability of placing restrictions on the consumption of opium, have agreed to the present Additional Article.

1. As regards the arrangements above referred to and proposed in clauses 1 and 2 of Section III of the Chefoo Agreement, it is agreed that they shall be reserved for further consideration between the two Governments.

2. In lieu of the arrangement respecting opium proposed in clause 3 of Section III of the Chefoo Agreement, it is agreed that foreign opium, when imported into China, shall be taken cognizance of by the Imperial Maritime Customs, and shall be deposited in bond, either in warehouse or receiving-hulks which have been approved of by the Customs, and that it shall not be removed thence until there shall have been paid to the Customs the Tariff duty of 30 taels per chest of 100 catties, and also a sum not exceeding 80 taels per like chest as li-kin.

3. It is agreed that the aforesaid import and li-kin duties having been paid, the owner shall be allowed to have the opium repacked in bond under the supervision of the Customs, and put into packages of such assorted sizes as he may select from such sizes as shall have been agreed upon by the Customs authorities and British Consul at the port of entry.

The Customs shall then, if required, issue gratuitously to the owner a transit certificate for each such package, or one for any number of packages, at the option of the owner.

Such certificate shall free the opium to which it applies from the imposition of any further tax or duty whilst in transport in the interior, provided that the package has not been opened, and that the Customs seals, marks, and numbers on the packages have not been effaced or tampered with.

Such certificate shall have validity only in the hands of Chinese subjects, and shall not entitle foreigners to convey or accompany any opium in which they may be interested into the interior.

4. It is agreed that the Regulations under which the said certificates are to be issued shall be the same for all the ports, and that the form shall be as follows:-

"This is to certify that Tariff and li-kin duties at the rate of taels per chest of 100 catties have been paid on the opium marked and numbered as under; and that, in conformity with the Additional Article signed at London the 18th July, 1885, and appended to the Agreement between China and Great Britain signed at Chefoo the 13th September, 1876, and approved by the Imperial Decree printed on the back hereof, the production of this certificate will exempt the opium to which it refers, wherever it may be found, from the imposition of any further tax or duty whatever, provided that the packages are unbroken, and the Customs seals, marks, and numbers have not been effaced or tampered with.

"Mark.

X

No.

00 packages.

"Port of entry,

"Date

"Signature of Commissioner of Customs"

5. The Chinese Government undertakes that when the package shall have been opened at the place of consumption the opium shall not be subjected to any tax or contribution, direct or indirect, other than or in excess of such tax or contribution as is or may hereafter be levied on native opium.

In the event of such tax or contribution being calculated ad valorem the same rate, value for value, shall be assessed on foreign and native opium, and in ascertaining for this purpose the value of foreign opium the amount paid on it for li-kin at the port of entry shall be deducted from its market value.

6. It is agreed that the present Additional Article shall be considered as forming part of the Chefoo Agreement, and that it shall have the same force and validity as if it were inserted therein word for word.

It shall come into operation six months after its signature, provided the ratifications have then been exchanged, or if they have not, then on the date at which such exchange takes place.

7. The arrangement respecting opium contained in the present Additional Article shall remain binding for four years, after the expiration of which period either Government may at any time give twelve months' notice of its desire to terminate it, and such notice being given, it shall terminate accordingly.

It is, however, agreed that the Government of Great Britain shall have the right to terminate the same at any time, should the transit certificate be found not to confer on the opium complete exemption from all taxation whatsoever whilst being carried from the port of entry to the place of consumption in the interior.

In the event of the termination of the present Additional Article the arrangement with regard to opium now in force under the Regulations attached to the Treaty of Tien-tsin shall revive.

8. The High Contracting Parties may, by common consent, adopt any modifications of the provisions of the present Additional Article which experience may show to be desirable.

9. It is understood that the Commission provided for in clause 7 of Section III of the Chefoo Agreement to inquire into the question of the prevention of smuggling into China from Hong Kong shall be appointed as soon as possible.

10. The Chefoo Agreement, together with, and as modified by, the present Additional Article, shall be ratified, and the ratifications shall be exchanged at London as soon as possible.

In witness whereof the Undersigned, duly authorized thereto by their respective Governments, have signed the present Additional Article, and have affixed thereto their seals.

Done at London, in quadruplicate (two in English and two in Chinese), this 18th day of July, 1885, being the seventh day of the sixth moon in the eleventh year of the reign of Kwang-Su.

(L. S.) SALISBURY.

(L. S.) TSENG.

DOCUMENT NO. 18

A Dispatch from W. H. Marsh, Officer Administering the
Government to Rt. Hon. E. Stanhope, September 15, 1886,
enclosing the Opium Agreement of September 11, 1886

CO 129/228

Government House
Hong Kong
15th September, 1886

The Right Honorable E. Stanhope
Her Majesty's Secretary of State for the
Colonies etc., etc., etc.

Sir,

With reference to my Confidential Despatch of the 6th July last I have the honor to inform you that the Commission appointed under the Chefoo Convention and additional Article of last year, signed an agreement on the 11th Instant, copy of which I have the honor to enclose, which I believe to be satisfactory to all parties.

2. I also enclose copies of the draft Ordinance "A" referred to in that despatch of 6th July, and of an amended draft "B" which differs from the former by striking out the word "Raw" before "Opium Farmer" and by prohibiting the sale or export of opium in quantities less than one chest, a provision which has practically been the law in the Straits Settlements for years past. It was contemplated from the first to put the control of all opium under the prepared opium Farmer who has a large staff of Excise Officers, and whose interest in the proper control is very great. The arrangements first proposed, to a number of which the draft ordinance "A" gave effect, were accepted by the Chinese Commissioners on the 5th July and by the Chinese Government on the 14th of that month; but whilst Sir Robert Hart was negotiating at Macao arrangements of an equivalent nature with the Government of that Colony, further consideration here and consultation with the Opium Farmer showed that it would be more satisfactory to the Chinese Government, and more advantageous in many ways to this Government, especially having regard to *future Revenue*, if the sale and export of loose opium were prohibited altogether. I therefore authorised Mr. Russell, on his recommendation, to propose an alteration prohibiting the export of broken chests, if he could get certain concessions from the Chinese Government as to Junks, and to the hearing of complaints against the Authorities of the Native Customs Stations and Cruisers by an Officer of the Foreign Inspectorate. These concessions he obtained and the agreement embodying all the conditions was then signed.

3. Sir Robert Hart believes that he will have no difficulty in getting the Chinese Government to arrange with Macao. Indeed the basis of a Treaty between Portugal and China was negotiated between the Governor of Macao and Sir Robert Hart during July and August, providing for a recognition of the Sovereignty of Portugal in Macao on the condition of the Chinese being allowed to establish

there a branch Custom house of the Foreign Inspectorate, in which all opium consigned to Macao must be placed, and from which no opium, unless for manufacture, can be taken, until it has paid the Chinese duty of 110 taels per picul. That Custom house will be nominally under the control of the Macao Harbour Master, but really under a Deputy Commissioner of Chinese Imperial Customs.

4. Sir Robert Hart and Shao Tao Tai pressed their bulk plan on this Government, and even after acceptance of the Colonial plan on the 14th July, several attempts were made by telegrams and private letters from Sir Robert Hart at Macao, to get this Government to prohibit the delivery of opium, from Godowns or shops in the Colony without the previous production of Chinese duty receipts. The Consular Member of the Commission would have supported such a proposal, and even advocated to Mr. Russell, though of course not in commission (as it would have been contrary to his instructions), that only junks of a certain size should be allowed to carry opium, and that even they should not be permitted to clear from the Colony without the production of a duty paid certificate, or a bond that it would be paid at the nearest Customs Station. These attempts against the sovereignty of the Crown in this Colony were however on principle successfully resisted.

5. I shall do myself the honor of writing more fully by an early mail, when I have received from Mr. Russell his report on the whole proceedings.

I have the honor to be
Sir,
Your Most Obedient Humble Servant

W. H. MARSH

I annex copy of a letter which I have just received from Mr. Russell forwarding the copy of the agreement.

Enclosure I

Memorandum of the bases of Agreement arrived at after discussion between Mr. James Russell, Puisne Judge of Hong Kong; Sir Robert Hart, K.C.M.G., Inspector General of Customs and Shao Tao Tai, Joint Commissioners for Chinese; and Mr. Byran Brennan, Her Majesty's Consul at Tientsin, in pursuance of Article 7 of Section III of the Agreement between Great Britain and China, signed at Chefoo on the 13th September 1876, and of Section 9 of the Additional Article to the said Agreement signed at London on the 18th July 1885.

Mr. Russell undertakes that the Government of Hong Kong shall submit to the Legislative Council an Ordinance for the regulation of the trade of the Colony in Raw Opium subject to conditions hereinafter set forth, and providing:-

1. For the prohibition of the import and export of opium in quantities less than one Chest.

2. For rendering illegal the possession of Raw opium, its custody on control in quantities less than one Chest except by the Opium Farmer.

3. That all Opium arriving in the Colony be reported to the Harbour Master, and that no opium shall be transhipped, landed, stored, or moved from one store to another or re-exported without a permit from the Harbour Master, and notice to the Opium Farmer.

4. For the keeping by Importers, Exporters, and Godown owners in such form as the Governor may require, books showing the movement of Opium.

5. For taking stock of quantities in the stores, and search for deficiencies by the Opium Farmer, and for furnishing to the Harbour Master returns of stocks.

6. For amendment of Harbour Regulations as to night clearances of junks.

The Conditions on which it is agreed to submit the Ordinance are:-

1. That China arranges with Macao for the adoption of equivalent measures.
2. That the Hong Kong Government shall be entitled to repeal the Ordinance if it be found to be injurious to the Revenue or to the legitimate trade of the Colony.
3. That an Office under the Foreign Inspectorate shall be established on Chinese territory at a convenient spot on the Kowloon side for sale of Chinese Opium duty Certificates, which shall be freely sold to all comers and for such quantities of opium as they may required
4. That Opium accompanied by such Certificates, at the rate of not more than 110 taels per picul, shall be free from all further imposts of every sort and have all the benefits stipulated for by the Additional Article on behalf of Opium on which duty has been paid at one of the ports of China, and that it may be made up in sealed parcels at the option of the purchaser.
5. That Junks trading between Chinese Ports and Hong Kong and their cargoes shall not be subject to any dues or duties in excess of those leviable on junks, and their cargoes trading between Chinese Ports and Macao, and that no dues whatsoever shall be demanded from Junks coming to Hong Kong from Ports in China or proceeding from Hong Kong to Ports in China over and above the dues paid or payable at the Ports of Clearance or destination.

6. That the Officer of the Foreign Inspectorate, who will be responsible for the management of the Kowloon Office shall investigate and settle any complaints made by Junks trading with Hong Kong against the native Customs Revenue Stations or Cruisers in the neighbourhood, and that the Governor of Hong Kong, if he deems it advisable, shall be entitled to send a Hong Kong Officer to be present at, and assist in the investigation and decision. If however they do not agree a reference may be made to the Authorities at Peking for a joint decision.

Sir Robert Hart undertakes on behalf of himself and Shao Tao Tai (who was compelled by unavoidable circumstances to leave before the sittings of the Commission were terminated) that the Chinese Government shall agree to the above conditions.

The undersigned are of opinion that if these arrangements are fully carried out, a fairly satisfactory solution of the questions connected with the so-called "Hong Kong Blockade" will have been arrived at.

Signed in triplicate at Hong Kong this 11th day of September 1886.

(Signed) J. RUSSELL
Puisne Judge of Hong Kong

(Signed) ROBERT HART
Inspector General of Customs China

(Signed) BYRAN BRENNAN
H.B.M.'s Consul at Tientsin

(True Copy)

J. RUSSELL

IV. EARLY DISAPPOINTMENT OVER HONG KONG TRADE

The Treaty of Nanking was followed by a period of unrestrained optimism regarding the commercial prospects of Hong Kong. Sir Henry Pottinger foretold that it would become "a new Tyre" as the great emporium of the East. When this prosperity failed to materialise, a reaction set in and there followed a period of unrestrained pessimism. The British had sought greater security for their trade with China either by a commercial treaty or by gaining a small island trading station. Captain Charles Elliot preferred the latter alternative because he thought that difficulties in the interpretation of a treaty would provide a fruitful source of misunderstanding and irritation, and he chose Hong Kong because he thought that the Canton area would always remain the centre of Chinese trade with the West. With the negotiation of a commercial treaty and the opening of the treaty ports, Elliot's arguments for Hong Kong lost some of their cogency.

For some ten years the mood of pessimism persisted and there were heart-searchings over the failure of Hong Kong to fulfil its early promise. The first document in this section, No. 19 gives extracts from a report on Hong Kong by the Colonial Treasurer Robert Montgomery Martin, who had already gained some reputation as a writer on conditions in the British Colonies. It was a voluminous report and only those sections dealing with his estimates of Hong Kong trade have been given. His main object was to try to induce the British Government to give up the Island, and so his report is a piece of special pleading, but nevertheless contains some interesting judgments. Document No. 20 gives a report on the junk trade for 1844 by Charles Gutzlaff with some comments on Hong Kong's prospects. Document No. 20 gives extracts from the 1847 Select Committee on the China trade; this enquiry came about largely because of disappointment with Hong Kong and also disappointment over the China trade in general. The next document is a report by W. H. Mitchell on the prospects of Hong Kong trade. Mitchell had been provisionally appointed to a post on the consular staff at Amoy but had been replaced by an appointee from England, otherwise, he seems to have had no special qualifications entitling him to be regarded as an authority on commercial questions. He also reported in 1852 on the China trade generally. These reports earned him the position of magistrate at Hong Kong after which he appears to have taken little further interest in commercial questions except to enrich himself by property speculations in Hong Kong.

One factor which held back trade over the whole China coast, including Hong Kong, was piracy. This is a big topic, and here only

two documents, numbers 22 and 23, have been included to give a brief illustration of some aspects of this difficult problem.

DOCUMENT NO. 19

Extracts from a Report on Hong Kong by Robert Montgomery
Martin. July 24, 1844

CO 129/18

REPORT ON THE ISLAND OF HONG KONG

Locality - Hong Kong which in the Chinese language signifies "Red Harbour" (or flowing Streams) is in North Latitude 22 16 27 east longitude 114 14 48, distant about forty miles east of Macao. It forms one of a numerous but scattered group of lofty islands termed the "Ladrones", which vary in size and height, but agree in their arid and rugged features. The length of the island from east to west is about eight miles, with a breadth of two to four miles; it is separated from the mainland of China by a strait or inlet of the sea, varying in breadth from half a mile to three miles; one entrance, the Lymun Pass, being less than a mile wide.

Population and Social Progress . . . The island has now had a fair trial of three and a half years. We shall enquire what progress it had made in population.

On taking possession of Hong Kong, it was found to contain, 7,500 inhabitants, scattered over twenty fishing hamlets and villages. The requirements of the fleet and troops, the demand for labourers to make roads and houses; and the servants of Europeans increased the number of inhabitants, and in March 1842, they were numbered at 12,361. In April, 1844, the number of Chinese on the island was computed at 19,000, of whom not more than 1,000 are women and children. In the census are included ninety-seven women slaves, and female attendants on thirty one brothels, eight gambling houses, and twenty opium shops &c. It is literally true that after three years and a half's uninterrupted settlement there is not one respectable Chinese inhabitant on the island. One man of reputed wealth named Chinam, who had been engaged in the opium trade, came to Hong Kong, built a good house, and freighted a ship. He soon returned to Canton, and died there of a fever and cold contracted at Hong Kong. It was understood, however, that had he lived he would have been prohibited returning to Hong Kong, the policy of the mandarins on the adjacent coast being to prevent all respectable Chinese from settling at Hong Kong; and in consequence of the hold they possess on their families and relatives this can be done most effectually. At the same time, I believe that they encourage and promote the deportation of every thief, pirate, and idle or worthless vagabond from the mainland to Hong Kong. The Rev. Dr. Gutzlaff, who has been engaged in making the recent census appended to this report, referring to the fishermen who formed the greater part of the population of the island on our arrival, says - "They are a roving set of beings, floating on the wide face of the ocean with their families, and committing depredations whenever it can be done with impunity." "The stone-cutters

have been working here for many years before our arrival. The majority of the men are unprincipled. They cannot be considered as domesticated, and are in the habit of going and coming, according to the state of the trade". "The most numerous class who have, since our arrival, fixed themselves on the island, are from Whampoa; many of them are of the worst character, and ready to commit any atrocity." "The capital of the shopkeepers is very small; most of them live from hand to mouth, and lead a life of expedients, without principle or self-control.

"It is very natural that depraved, idle, and bad characters from the adjacent mainland and islands should flock to the colony where some money can be made."

Dr. Gutzlaff, whose prepossessions are strongly in favour of the Chinese, concludes this portion of the memorandum with which he has favoured me, as follows: "The moral standard of the people congregated in this place (Hong Kong) is of the lowest description."

This observation is borne out by the numerous murders, piracies, burglaries, and robberies of every description which have taken place during the last three years, and with almost perfect impunity, for the Chinese are formed into secret societies for the mutual protection of villains, and no man dare inform against another.

At this moment (July 1844) the European inhabitants are obliged to sleep with loaded pistols under their pillows, - frequently to turn out of their beds at midnight to protect their lives and property from gangs of armed robbers, who are ready to sacrifice a few of their number if they can obtain a large plunder.

This state of things was long ago predicted. In the "Canton Register" of 23rd February 1841, it was stated: "Hong Kong will be the resort and rendezvous of all the Chinese smugglers. Opium smoking shops and gambling-houses will soon spread; to those haunts will flock all the discontented and bad spirits of the empire; the island will be surrounded by 'Shameens' and become a 'Gehenna of the waters'". Three years have completely fulfilled this prediction, and neither time nor circumstances will now ever alter the character of the place. No Chinese of the humbler class will ever bring their wives and children to the colony. He must be a sanguinary visionary who expects that Hong Kong will ever contain a numerous and respectable population; and as regards the present inhabitants, (if a migratory race, who are constantly changing, deserve that epithet) their diminution by one half would be satisfactory, for then a control by registration might then be exercised, and life and property be rendered in some degree secure. The daring character of the population, and its worthlessness for civil purposes in the formation of a colony, will be seen in the following incident.

On the 27th September, 1843, the Hon. Major Caine, the chief magistrate, issued a proclamation for pulling down some matsheds, which harboured a gang of ruffians who were nightly engaged in plundering the town. In the beginning of October 1843, the Chinese robbers posted a counter-proclamation, on the gate of No. 1 Market-place, in the chief thoroughfare, declaring, "that if they left the

island themselves, they would compel others to do so, taking with them their merchandise and property, and warning people to be cautious how they ventured out after dark, lest they meet with some unexpected harm."

At the same time the Government coal depots were set on fire; the mat barracks of the 41st regiment and the Market-place No. 1 were attempted to be burnt; and at noon a number of Chinamen, armed with knives, entered the Market, threatened all around, wounded an European policeman, and then walked away unmolested.

The number of prisoners in the Hong Kong jail averaged, during 1843-44, from sixty to ninety a month, and the crimes with which they were charged were invariably piracy, murder, burglary, robbery &c. There has been no diminution of crime, the number of prisoners in the jail have increased; and the nightly robberies are as frequent if not more so than they were three years ago. The shopkeepers do not remain more than a few months on the island, when another set takes their place; there is, in fact, a continual shifting of a Bedouin sort of population, whose migratory, predatory, gambling, and dissolute habits utterly unfit them for continuous industry, and render them not only useless, but highly injurious subjects, in the attempt to form a new colony.

There cannot be said to be any other coloured race in the colony; a few lascars seek employment in ships. The European inhabitants, independent of those in the employ of Government, consist of the members of twelve mercantile houses, and their clerks, together with several European shopkeepers. A few persons have arrived here from New South Wales, to try and better their fortunes, many of whom would be glad to return thither.

The principal mercantile firms are engaged in the opium trade, who have removed hither from Macao as a safer position for an opium depot and which they frankly admit is the only trade Hong Kong will ever possess.

The opium belonging to the two principal firms is not, however lodged on shore; it is kept in receiving ships, the "Hormanjee Bomanjee" belonging to Jardine, Matheson & Co., and the "John Barry" belonging to Dent and Co. Even the money in use by those firms is not entrusted on shore, but is kept in the receiving ships. These firms and the three or four others partially engaged in the opium trade, carry on this business in Hong Kong; the tea trade is carried on distinctly at Canton, by members of the firms resident there. Excepting the six firms engaged in the opium trade, the other six houses are small, and are principally agents for manufacturers, &c. in Great Britain. The expense of establishments, the high rate of interest of money, and the want of trade, will, it is said, ere long compel the removal or breaking up of several of the small houses. There is scarcely a firm in the island but would, I understand, be glad to get back half the money they have expended in the Colony, and retire from the place. A sort of hallucination seems to have seized those who built houses here. They thought that Hong Kong would rapidly "outrival Singapore", and become the "Tyre or Carthage of the Eastern Hemisphere".

Three years' residence, and the experience thence derived, have materially sobered some of their views. Unfortunately the Government of the Colony fostered the delusion respecting the Colony. The leading Government officers bought land, built houses or bazaars, which they rented out at high rates, and the public money was lavished in the most extraordinary manner, building up and pulling down temporary structures, making zig-zag bridle paths over the hills and mountains, and forming the "Queen's Road" of from three to four miles long, on which about 180,000 dollars have been expended, but which is not passable for half the year.

The straggling settlement called "Victoria", built along "Queen's Road" was dignified with the name of "City", and it was declared on the highest authority, that Hong Kong would contain a population equal to that of ancient Rome. The Surveyor-General, in an official report to his relative Sir Henry Pottinger, of 22 pages dated 6th July, 1843, proposed building an entirely new town or "City" in the Wongneichung Valley, (which may be aptly called the "Valley of Death") with a grand canal and many branch canals, &c. . . . I refer to the Government archives for full details of these and other most ridiculous projects, involving a vast expenditure of public money, which none but the wildest theorists or self-interested persons could have projected or entertained. On the 17th December 1843, the Surveyor-General laid before Sir Henry Pottinger, the elevation of a building for a Government Office, &c., with a front of 360 feet in length, by 50 feet in depth, and which would probably cost £30,000 sterling. There seemed to be the greatest possible desire to spend a large part of the Chinese indemnity money on this wretched, barren, unhealthy and useless rock, which the whole wealth, talent, and energy of England would never render habitable, or creditable, as a colony, to the British name. In illustration of the mode in which the public money was proposed to be spent, I give the following, which is a portion of the estimate of public works in Hong Kong for 1844, and which Sir Henry Pottinger transmitted to England for approval:-

| | dollars |
|---------------------------------------------------------------------------------------|---------|
| Completion of Queen's Road from East Point to the West side of Wongneichung Valley | 28,000 |
| Ditto to Godowns of Jardine, Matheson & Co. | 15,000 |
| New Street formation in Victoria | 35,000 |
| Sewers in Victoria | 100,000 |
| Value of Houses to be removed from Upper Bazaar &c. | 25,000 |
| Drainage of Wongneichung Valley | 7,000 |
| Bridle path to Saiwan | 3,000 |
| New Church | 35,000 |

[and he lists 21 other items which with contingencies at 5% and the addition of 45,000 dollars for a consulate at Canton, totalled 796,275 dollars.]

This is but a small portion of the contemplated expenditure; it does not include the formation of streets and roads in Hong Kong, which on account of the mountainous nature of the island, would cost about £100,000 sterling. It does not include barracks, stores,

forts, arsenals, dock-yards, wharfs, &c., all projected and which would cost several millions sterling before they would be completed.

It is unnecessary to pursue this branch of the subject further; sufficient has been said to show the absurd and ruinous projects which were entertained, and the utter failure of the colony in regard to the nature and extent of its population; notwithstanding the large sums of money expended, the Governor is now obliged to hire a residence which belongs to the late deputy Governor Johnston. The Government offices are in a temporary building which is falling to pieces; the General Commander has hired an inn for his residence. There is only one small barrack in Victoria, and that has been recently erected; it is not possible to rent a decent house under 160 to 180 dollars per month, about 400 l. sterling per annum. The Church service is conducted in a matshed; the civil and military officers are glad to get a location or even a room in any spot on any terms; and the prices of living and of servants &c., (see documentary appendix) are enormous; while the whole population of the island is entirely dependent for its daily supply of food on the Emperor of China's subjects on the mainland of China.

Commerce There is no trade of any noticeable extent in Hong Kong; vessels occasionally touch here on their way to Canton, or on their return thence, when laden and about to proceed to Europe for orders. Vessels also proceeding to or coming from the ports to the northward sometimes touch here, for instructions from the owners or consignees, but very few "break bulk" at Hong Kong. There is a considerable business done in opium. Messrs Jardine, Matheson & Co., have a large opium receiving ship, the "Hormanjee Bomanjee" moored the whole year round in this harbour; Messrs Dent & Co., have also a large vessel, the "John Barry", for a similar purpose. These receiving-ships contain the opium brought from India, whence it is transhipped to smaller vessels, and sent up the coast. Messrs McVicar, Burn & Co., Fox, Rawson & Co., and a few smaller houses also deal to a limited extent in the opium trade, which requires a large ready-money capital. The smaller houses who have no vessels of their own consign opium to agents of their own at the Consular ports, but it is kept on board the receiving-ships moored off or near those ports until the agents sell the opium to some Chinese broker - at Shanghai for instance, who then receives an order for the delivery of the opium from the receiving ship at Woosung.

There are no native junks trading here from the coast of China; there are none belonging to the port; and a few fishing and passage boats, which form a safe asylum for ladrones and vagabonds of every description, constitute the native craft of Hong Kong. Even if natural impediments did not exist to the establishment of a native coasting trade, the Articles 13, 14 and 16 in the Supplementary Treaty, would effectually prevent any Chinese junks resorting to Hong Kong. Not only are the junks prevented proceeding thither from any places but the five consular ports, but they must also obtain special passports for a voyage to Hong Kong, and when arrived there the British Government are to act the part of spies for the Chinese Government, and to report every vessel, the name of her proprietor, the nature of her cargo, &c., to the authorities at Canton. It is now well understood what was the object of these

clauses; no passes will be readily granted; and the junks that might proceed to Hong Kong, would certainly be punished by the Chinese authorities, who are exceedingly jealous that anything should occur for the advantage of Hong Kong. These and other circumstances, together with the fear of pirates, the want of a Chinese commercial community, the dearness of provisions, and the absence or high price of any trading commodities, will be sufficient to prevent any coasting trade at Hong Kong.

Dr. Gutzlaff, whose knowledge of the Chinese character and proceedings is certainly unsurpassed, says, "So long as the trade is maintained in the respective ports on an excellent footing, no vessels will visit the colony to buy articles at the same price which they can more easily get nearer to them, nor will they bring goods to Hong Kong for which there is an advantageous market in their own neighbourhood. When ships find it more profitable to proceed direct to the northern ports, the chances of Hong Kong becoming an emporium are very trifling. Whatever native or foreign trade may be carried on here must be brought to the colony by adventitious circumstances, and will last or cease according to accident; for notwithstanding the excellent harbour, Hong Kong has nothing in its position or relationship to other ports to concentrate commerce."

Since August 1841, Sir Henry Pottinger has been issuing proclamations and regulations respecting commerce and shipping, for their encouragement and protection. No duties of any kind whatever have been levied no enquiries have been made as to the cargoes of vessels; ships might enter and depart at pleasure - but all in vain; commerce cannot be created where no materials for it exist.

The table in the Documentary Appendix shows the shipping which entered the harbour at Hong Kong for three years. It consisted principally of transports conveying troops, and vessels calling for orders or seeking freight.

Ample trial has been given to the place, without any satisfactory result. Nearly four years' residence on or occupation of the island, and an immense expenditure, has failed to produce any commercial operation. Every month the shipping entering the harbour are diminishing in number; and the imposition of a tonnage duty would, it is said, cause a still further decrease. There does not appear to be the slightest probability that, under any circumstances, Hong Kong will ever become a place of trade. The island produces nothing whatever; its geographical position, either as regard the Chinese coast generally, or Canton in particular is bad. For the trade of the coast of China, it is too far to the southward of a territory which extends upward of 2,000 miles: and if it were practicable to remove the foreign trade of Canton, the removal would be either to some of the open ports to the northward in the neighbourhood of the tea district, or to some island or place in the Canton river.

Among other delusions that have been promulgated, is the allegation that Hong Kong is a protection to the British commerce at Canton, and especially to the tea trade. With reference to the latter, it should be remembered that the Chinese are as eager to

sell us tea as we are to buy it; that the cessation of the trade would be a greater injury to them than to the British nation; that there was no difficulty in procuring tea during the war; that nothing would prevent the Chinese supplying our annual demand for tea, and of course receiving in return English manufactures. The tea trade is, in fact, as independent of Hong Kong as it would be of our occupation of the Sandwich Islands. Canton, however, has no intrinsic advantages to make it the seat of foreign commerce. So long as the Emperor restricted all foreigners to the most distant southerly port of the Empire, tea silk, or any other exportable produce, was obliged to be conveyed thither, however distant the place of production or manufacture; but the case now is totally different, when the northerly ports in the immediate vicinity of the tea and silk provinces are, equally with Canton, open to British commerce. Several vessels have already laden with teas for England in the northern ports; this may be increased, and the trade of Canton would then be proportionally diminished, thus rendering Hong Kong (admitting for the sake of argument, its reputed value as a protection for the trade of Canton) every year less and less useful to British interests in China.

It is for the advantage of England that our trade with China be carried on with the northern ports. In the central districts of China, along the Yang-tze-Kiang and other great rivers and canals, the people are more civilised, more wealthy, and (now that they are becoming acquainted with the English) more disposed to friendly and commercial intercourse. By purchasing tea and silk near the place of production, the charges of land-carriage fees, etc., will be reduced, and the cost price lessened by one-third to the British consumer; on the other hand, the Chinese will be able to purchase British manufactures at a cheap rate, when they are brought by our vessels to their doors. These and other considerations render it a matter of national importance that our trade with China be diffused over several ports, instead of being confined to Canton, and indicate that it is not desirable that Hong Kong be maintained (even if the assertion be true) as a protection to the trade of Canton.

There are now five ports open on the coast of China to all European, East Indian, and American vessels. There can be no reason why foreign vessels should discharge cargo at Hong Kong, merely to change cargoes from one vessel to another; and as the Chinese Government now allows a vessel to sell part of her cargo at one port and then proceed to another, and will probably ere long form bonded warehouses at each port, there will be still less probability of any trade being established at Hong Kong.

It is indeed a delusion or a deception to talk of Hong Kong becoming a commercial emporium and to liken it to Singapore. The circumstances and position of Hong Kong and Singapore present no resemblance whatever. Hong Kong is a barren rock, producing nothing - not leading to any place - surrounded by no trading or populous communities with various commodities for barter - and disadvantageously situated at the most impoverished part of a coast-line of 2,000 miles, and which for half the year, is only readily accessible in one direction.

[Then follows an analysis of the trade of Singapore]

. . .

But sufficient has been said to show that there is no analogy whatever between Hong Kong and Singapore, and that the geographical, territorial, and commercial advantages which have contributed to the prosperity of Singapore, are totally and entirely wanting, and can never be created at Hong Kong.

Financial point of view:- There is no apparent prospect of Hong Kong ever yielding any revenue adequate to more than a very small civil government. The limited size and rocky nature of the island, and the fluctuating and predatory character of the population, forbid the hope of an income being raised to sustain a regular Government Establishment on the scale now adopted, and which is far beyond the present or prospective wants of the island community. Under the most favourable circumstances, there may possibly, some years hence, be obtained from the rent of building land £5,000 to £7,000 per annum. The markets, licenses, fines and fees of every description, may realise hereafter about £1,000 per annum. The levy of a tonnage duty would not yield more than £500 to £1,000 per annum, if it did not drive away the few ships that now enter the harbour; it is not probable that vessels would pay six-pence per ton merely to call for orders, when they can lie in Macao Roads and daily communicate with Hong Kong. A registration or license for each male Chinese resident on the island, might, if there were a more respectable class of inhabitants in the colony, produce £600 to £1,000 per year. Neither auction duties, stamps, or any of the other ordinary sources of taxation, would, under present circumstances yield any revenue worth consideration.

The idea that the Chinese Government will sanction the introduction of opium into China at a moderate fixed duty, and that a large revenue may then be raised by warehousing the drug at Hong Kong, must, I think, be abandoned as illusory. The legal admission of opium into China by the Emperor, according to the best information I can obtain, is not at all probable. But even if the traffic in opium were legalised, the traders have declared they would not pay any duty at Hong Kong. They can keep their large receiving ships the whole year round in Hong Kong, or in any other harbour, or tranship the opium from the vessels which convey the drug from Bengal and Bombay to this place, on board the smaller vessels which proceed along the coast to sell or deposit it at Whampoa, Namoa, Amoy, Chimmo, Chin-Chu, Chusan or Woosung, in the receiving ships which lie in those bays or stations the whole year round.

I will not discuss the question of raising a revenue in Hong Kong from the introduction of opium for smoking in the island, either by farming out the drug or otherwise. Independent of the morality or immorality of the question of Government deriving an income from a vicious indulgence, so long as the Chinese Government prohibits the introduction, and make the use of opium a capital offence, it would not, to say the least, be seemly of us to encourage the use of this destructive and poisonous stimulant in Hong Kong.

The total revenue to be expected from this colony cannot, in my opinion, exceed £10,000 per annum; and to obtain this amount, several years must elapse, under the most favourable circumstances.

The per contra side shows an expenditure at this moment, for mere civil establishment, salaries and wages at the rate of £50,000 per annum, irrespective of the cost of any public works, roads, and buildings, which is estimated at £50,000 per annum for several years; independent, also, of the consular charges of £30,000 per annum, and of the army and navy. The whole showing a yearly drain on the British Exchequer of half a million pounds sterling (see Documentary appendix).

And here it may be necessary to remove an erroneous assertion, that this heavy yearly charge is only a portion of the revenue that England derives from the China trade.

The revenue which is obtained from tea is paid by the people of England, who buy and consume the tea. It might as well be said that the West Indies furnished the revenue derived by the British exchequer from the coffee and sugar consumed in the United Kingdom. The incidence of taxation is on the last purchaser of the taxed article. The merchant of London adds to the invoice cost of the tea bought at Canton, the freight to England, the insurance, interest of money, warehousing, customs duty levied in England, and the fair profits of trade on every chest of tea he may sell to the grocer, who then regulates the price at which he can afford to sell a pound of tea to his customer, who finally pays the whole charges, taxes, and profits to the several parties before he drinks his tea.

The revenue derived from the China trade is paid by the people of England; the merchant who carries on the trade does not pay a shilling of it. It will be for Her Majesty's Ministers to decide whether on a review of the whole case, there be any justification for spending half a million annually on this coast. As a general principle, colonies that will not pay at least the expense of their civil government are not worth maintaining. There does not appear any reason why Hong Kong should be an exception to this rule. There is not as has been fancifully supposed, any analogy whatever between Hong Kong and Gibraltar. Hong Kong commands nothing: a glance at the chart will show that the navigation of the China seas is perfectly independent of Hong Kong; even the entrance of the Canton river is not controlled by Hong Kong. It is not possible by any outlay of money to make the island a fortress; and it is commanded by the opposite shore of the mainland. But supposing several millions sterling were spent in fortifying Hong Kong, and half a million annually expended for its garrison, the *cui bono* would constantly recur; from a Chinese enemy the island has nothing to apprehend even at present; no European or American state would think of capturing Hong Kong, for it would be valueless to them; and if mere glory were sought by the acquisition, they must be aware that the fame must be of short continuance, as troops and ships from India, from Australia, and from all our stations eastward of the Cape of Good Hope, would soon recapture the place or starve out the garrison. [There follows an account of the value of Gibraltar and Malta].

Every colony of the British empire pays for its own civil government except small sums which are voted annually in part aid for the Bahamas, Bermuda, the Falkland Islands, Saint Helena, and Heligoland, but all these places are intrinsically valuable. The Bahamas for the geographical position of their harbours; Bermuda, as a strong fortress and dock-yard in the Western Atlantic; the Falkland Islands, for their important position and fisheries in the great Southern Ocean near Cape Horn; St. Helena, as a strong fortress and recruiting station for our numerous ships doubling the Cape of Good Hope in their voyages to and from India, China, and Australasia (and in the event of war, the possession of St. Helena would be of great value to our merchants, and save us a large fleet in the Atlantic); Heligoland during the late European War was a large commercial depot for the Elbe and the northern parts of Europe. Its expense is only about £500 a year.

Numerous as are the colonies of the British Empire, they are each of some utility to England; for their territorial extent as emigration fields to provide employment for a surplus population; for their production of sugar, coffee, corn, cotton, silk, indigo, timber, oil, wool, &c., as maritime positions or military posts; as trading emporiums or fishing stations.

I have in vain sought for one valuable quality in Hong Kong. There are other good harbours around, and for 200 years we have not found the want of such. *I can see no justification for the British Government spending one shilling on Hong Kong.*

. . .

There are not, indeed, any fairly assignable grounds for the political or military occupancy of Hong Kong, even if there were no expenses attending that occupancy. The Government of China is sufficiently civilized to respect the persons and property of British subjects at Canton before any declaration of war took place which, however, is an event of very remote probability for many years to come, if we retain Chusan; and as the Treaty with China provides for the stationing of a ship of war at Whampoa or Canton, a better security is thus provided for any British residents at Canton than Hong Kong could afford. The climate of Hong Kong will not admit of the Island being made a garrison for our troops; and in the event of another war with China, an invading army must proceed from India, unless we keep a small military and naval establishment at Chusan. But a very small effective force can not be maintained here, unless at an enormous expense; and the impracticability of fortifying an island which is commanded by the hills around, and by any large battery erected on the opposite shore, is now generally acknowledged, and is in further corroboration of the inutility of Hong Kong.

On a review of the whole question, and examining the island in all aspects - making even allowance for the newness of the settlement - and admitting, for argument sake, that, ultimately, there may be some trade at Hong Kong, it appears to me very advisable, if Hong Kong be retained as a British station or colony, that the civil establishment of the colony be cut down to a scale commensurate with the resources and wants of the island; and that the supernumary officers be provided for in other colonies as vacancies occur.

That the European and sepoy troops be removed, and a portion of the 1st Ceylon regiment (Malays) be kept at Hong Kong, in aid of the civil power. That a frigate or sloop of war be always maintained in the harbour, with an extra complement of marines, to be landed only in case of emergency. That the British and other respectable inhabitants who are householders, be formed into a municipal body, with power to assess themselves for police, lighting, drainage, and street-making &c., of Victoria; that the harbour be a free port, open to ships under every flag; and that encouragement be given for the resort to and settlement on the island of other European nations. If this be done, a few years will determine whether it be possible to create any trade, or induce any resort to Hong Kong. Large Government establishments, and an immense outlay of the public money for the last three years, have produced no beneficial result; let the opium traders, and those who choose to resort thither, have a voice in the management of the affairs of the colony. There can scarcely be less general trade - less prosperity - less security to life and property, than now exists, with a large garrison on shore and a fleet in the harbour.

If there were any one advantage - political, commercial, financial, religious, present or prospective - derivable to England from the existing establishment at Hong Kong, there would be some justification for the expense now being incurred, and for the great annual sacrifice of life; but when such advantages do not exist, it is worse than folly to persist in a course begun in error, and which, if continued, must eventually end in national loss and general disappointment.

R. M. MARTIN.

China, July 24, 1844.

(Every statement made in this Report has been since most fully and amply corroborated, and I am ready to prove its correctness by unimpeachable and disinterested testimony.)

London, March 1846.

DOCUMENT NO. 20

Remarks upon the Native Trade of Hong Kong, from 1st April 1844 - 1st April 1845.

Included in The Annual Report for 1844, The 1st Blue Book sent, 3rd May 1845, No. 53, Davis to Lord Stanley

CO 129/12

Captain Elliot when taking possession of this Island anticipated that the commerce formerly carried on at Lintin Capsaymoon and Kamsingmoon would be concentrated under the British flag, at this spacious harbour. He even anticipated great additions from Canton

itself and the various ports to the North East. This was natural under the supposition, that the trading connections with this country, after all the attempts to improve them, would revert to the same exclusive system as before, and that as long as China existed as a whole, no alterations could be expected from its antinational policy.

The aspect of affairs being however changed for the better beyond the most sanguine hopes, our commerce obtained new channels, and the idea of making Hongkong the greatest mart in the East, fell at once to the ground. Still, the mind conversant with the times of yore looks forward to brighter days, and thinks to trace the absence of intercourse at this Settlement in the restrictions of the Supplementary Treaty and other causes. It has often been remarked that Junks from Shanghai, Tescheo and Amoy which proceed in great numbers to Singapore and other settlements, would prefer Hongkong as much nearer and more conveniently situated than those places, in order to make their purchases, and it is almost inexplicable that they go, after the opening of this port, as heretofore to their accustomed harbours.

We ought here to consider that the exports from their own country are principally if not exclusively destined for the numerous Chinese colonists that inhabit the Islands of the archipelago. They freight their vessels with emigrants, and bring home a cargo, the greater part of which is bought with the savings of their countrymen, who have lived abroad and amassed some property. The materials of the junk trade can therefore not be found at Hongkong. Some vessels nevertheless tried to obtain an export cargo on the spot, and were after long waiting obliged to receive the same from Canton. With Straits produce this settlement could not supply the Chinese merchants at so cheap a rate as they can buy it at Singapore; the carrying trade moreover in English bottoms which has recently commenced bids very fair, on account of its security to engross the direct commerce from the Archipelago to the various northern ports and we have therefore no reason to believe that Hongkong will become in future the entrepôt for this traffic.

Better founded are our own hopes respecting a more extensive commerce with Canton, for from first to last a number of large cargo-boats have been running between this and the metropolis. With very rare exceptions, these vessels supplied the immediate necessities for the consumption at Victoria, building materials as well as provisions, and goods of shop-keepers. The re-iterated enquiries, why the merchants did not send down articles for the European market, have invariably been answered that it would not pay, and that they could not obtain a ready sale here, if they did so. Intelligent natives have always affirmed that the absence of this branch of commerce must be ascribed to there being no Chinese large firms at Victoria to receive goods in charge, and sell them as soon as there is a demand. Attempts to found such establishments have also been made, but have not succeeded from want of encouragement and on account of considerable individual loss. At the present moment there remains unfortunately not one single large merchant from Canton in the settlement who is able to promote by his capital and influence such a desirable object. The whole business is therefore

in the hands of shopkeepers compradors and pedlars of whom there are many, though their transactions when considered as a whole are but trifling. Since their native boats have to compete with our own schooners, which are constantly going up the river, and moreover to contend with the Mandarins, who are said to put a high price upon their permits, no immediate increase can for the present be looked for; should however unfortunately disturbances arise, there can be not the slightest doubt that these boats will become carriers to a considerable amount.

From Keangmun, a place on one of the numerous outlets of the Canton River, several boats with valuable cargoes have from time to time visited Hongkong. The merchants that come in them also buy cotton goods. Unfortunately, however, some of these vessels have been plundered by pirates, and this prevents the Chinese from putting any more dear goods on board.

The following places supply Hongkong with provisions: Nantao, Taipang, Sinan, Lantao, Macao, Haekong and Tingchoo. No interruption in this business has ever been experienced, and the reiterated plunder of pirates, has in many instances been obviated by the payment of blackmail. Were it possible to cut off these boats, great distress would be experienced as nearly every article for maintaining life is brought from elsewhere, and very little grows on the Island itself.

The intercourse with Macao, both by Portuguese lorchas as well as by fast boats, has always been very lively ... though it cannot be said, that there exists a native trade.

The only branch to which this name is applicable is the traffic in salt. This is brought from the coast at Haekong and Kweishen, where it is manufactured in great quantity, in small junks. They are met here by fast rowing craft from the adjacent rivers, which buy it and introduce the same in various ways throughout the interior, at a far more reduced price than the Governmental salt monopolists can dispose of it. This has always been a very thriving business, and the money realised both by the purchaser as well as seller in proportion is considerable. Hence the constant resort of these junks to this harbour has become an everyday affair ... The captains take invariably opium and piece goods for the money they get and often invest capital for this purpose which they have brought with them. Pirates have frequently attacked and taken these vessels.

The junk trade with the coast exists under the following limitations.

It is vain to expect that vessels from the ports which are open to British enterprise should come down to Hongkong for a cargo, when they can buy the goods they want at their own doors for nearly the same price. How could they take the sea risk, the outlay of capital, and the danger of being attacked by pirates merely to visit Victoria. Such enterprises can never be anticipated . . . Hence we never had a single vessel from Shanghae, Ningpo, Amoy nor Fukeen, that would have made purchases at Hongkong. The people on the coast to the

west of Canton proceed to Macao Roads and the Typa, . . . and never has yet a single vessel from thence touched here.

Whatever is between Namoa and Hongkong, with the exception of HAEHONG perhaps where early vessels have been continually at anchor, such as KITYEO, TEYOEO, HAEYEO, TINGHAE and even CHOU GAN and CHEOPO IN FOKHÉN, belongs exclusively to the commercial sphere of this place, and numerous have been the junks that came to this settlement. From the two latter, they bring camphor bought at Formosa and alum, with some very coarse chinaware. The former article is only occasionally saleable and in many instances after having been offered to many British merchants has been taken to Macao to be sold there. The latter has formed ballast to India, but very often from want of purchasers, the junks have to proceed to Canton or Macao. These are the only two articles that have yet in any quantity been brought to this market. A great attempt was made by TEACHEO junks to import tea, but whether it was that the boxes were not properly packed, or the quantity not adapted to our home consumption, it remained unsaleable in the hands of the importers and was afterwards given with very great loss to the shopkeepers to dispose of it by retail. Most of the junks come here to purchase opium and piece goods, none of these however in any considerable quantity. This is taken to KITYEO, TEYOEO or the Island of Hainan and there retailed. The pirates however have most materially interfered with this branch. . . . None of the captains who constantly are in the habit of visiting me, ever tell that the Chinese Government interferes with their coming hither, nor have I heard of an instance of seizure and confiscation on the part of the Canton house.

[Many junks came and anchor for a tide, as a thoroughfare and make small purchases.]

Such is the native trade which Hongkong had hitherto, far below the lowest calculations, that the most disponding merchants could have made. Extraordinary circumstances may produce a salutary change, but in the ordinary course of events . . . and the Northern ports engross gradually the business of Canton. Victoria must not expect much. We have no produce of the Island, except granite, to sell; there is no large amount of goods stored up in the godowns, ships do not come here merely to discharge their cargoes and then return home, nor do the Chinese put their commodities in our charge, so that it is very difficult to obtain manufactures or teas in large quantities. But as a starting point Hongkong will ever hold a very high place, though far inferior to Chusan.

On the whole, we must live in hopes that a more propitious state of things will take place, and that Hongkong at least in some measure will answer the expectation of the founder.

Signed CHARLES GUTZLAFF

Chinese Secretary

DOCUMENT NO. 21

Report from the Select Committee on Commercial Relations with China: Ordered by the House of Commons to be Printed, 12 July 1847

In reporting on the condition of our commercial relations with China, your Committee regret to state, that the trade with that country has for some time been in a very unsatisfactory position, and that the result of our extended intercourse has by no means realised the just expectations which had been naturally founded on a freer access to so magnificent a market.

Whether we look to the table of exports, which mark a declension of exports in nearly every branch of manufacture, or listen to the statements of experienced merchants and manufacturers, we are brought to the same conclusion.

We find the exports of cotton manufactured decline between the years 1845-46 from £1,735,141 to £1,246,518 in value; those of woollens, in the same period, from £539,223 to £439,668*.

We find that on a great proportion of the trade for some years, the loss, taken both ways, i.e. that on the manufactures sent out and on the tea brought home in payment, may fairly be stated at from 35 to 40 per cent; so great indeed that some manufacturers have abandoned the trade altogether, and that much of the tea lately sent home has been on Chinese account, the English merchant declining to run the risk of the venture.

We find that the difficulties of the trade do not arise from any want of demand in China for articles of British manufacture, or from the increasing competition of other nations. There is no evidence that foreign competition is to be seriously apprehended in the articles of general demand. The sole difficulty is in providing a return.

Stripping the question of minor details, which may be fairly left out, as not affecting the general results, and setting aside the junk or native trade, which, though considerable, does not assist in the general adjustment of foreign accounts, the trade of China may be thus shortly described. The bulk of its transactions are with England, British India, and the United States.

*The Exports to China since 1843 have been as follows:

| | 1843 £ | 1844 £ | 1845 £ | 1846 £ |
|--------------------|------------|-----------|-----------|-----------|
| Cottons | 871,939 | 1,575,647 | 1,735,141 | 1,246,518 |
| Woollens | 417,815 | 565,428 | 539,223 | 439,668 |
| All other articles | 166,426 | 164,542 | 120,463 | - |
| | £1,456,180 | 2,305,617 | 2,394,827 | - |

The recognised imports into China, of which we have any account, were, in 1845, as follows:

| | |
|--------------------|--------------------|
| From all countries | 20,390,784 dollars |
| In English ships | 16,073,682 |
| In American ships | 2,909,669 |
| | 18,983,351 |

Leaving for all other countries a value of 1,413,433 dollars only.

To this may be added 23,000,000 dollars, the estimated value of 38,000 chests of Opium, all bought on British or American account, and from British India, making the whole imports into China 43,390,784 dollars = at 4s 4d to about £9,401,336.

The export from China, to all countries, for the same year, was 36,931,000 dollars = £8,001,926 of which

| | |
|-------------------------------|------------------------|
| For England and British India | 26,697,391 |
| For the United States | 8,261,702 |
| | <hr/> 34,959,093 <hr/> |

Thus leaving for the exports to all other countries no more than 1,972,875 dollars in value.

The returns for the year 1846 are not yet completed; but as far as they go, they indicate the same result.

From England, China buys largely of manufactured goods. From the United States the same articles to the extent of £170,000. From British India, Opium and Cotton Wool to a very large amount.

This import reaching, as will have been seen above, a value of nearly nine millions and a half, has to be paid for, with slight exceptions, by tea, silk, and silver, though sugar and Chinese grass, as a substitute for hemp, may possibly be hereafter of some importance.

The payment for opium, from the inordinate desire for it which prevails, and from the unrecognised nature of the transaction, which requires a prompt settlement of accounts, absorbs the silver, to the great inconvenience of the Chinese;* and tea and silk must in fact pay the rest.

Of these England and the United States are nearly the sole consumers; and thus it happens, that the advantages which were so naturally expected from commercial access to a civilized empire of above three hundred millions of people, are practically limited by the extent to which these countries are willing or able to consume these two products of the soil of China.

*MR. M'Gregor, British Consul at Canton, estimates the sum to be annually drawn from China in specie, to pay for the opium, at nearly £2,000,000.

The balance of trade will no doubt adjust itself sooner or later, in accordance with the severe lessons of loss and disappointment which the last three years have taught; but unless we can look forward to an increased consumption of those products in which alone China has the means of paying, this adjustment can only be made at the cost of largely diminished exports, and of restricted employment to every branch of industry connected with them.

The export of silk from China is steadily on the increase; and ... there is every reason to hope that it will grow with the growing wealth and luxury of nations, and progressively become an element of greater importance amongst the means of payment.

: : :

Your Committee think themselves warranted in recommending to the House a considerable reduction in the duty on tea at the earliest period which in its wisdom it may see fit, as most desirable in itself with a view to the comforts and the social habits of the people, as involving but a temporary loss to the revenue, and as essential to the extension of our trade with China, nay, even to its maintenance the point which it has already reached.

. . .

The port of Shanghai being immediately adjacent to the richest districts of the Chinese Empire, and especially to those which produce the principal articles of export, promises to become a formidable rival to Canton, and will inevitably draw from it a considerable portion of its traffic. It already furnishes 16,000 out of the 20,000 bales of silk, and 10,000,000 out of the 57,000,000 pounds of tea which China last year appears to have furnished to British markets.

Next in importance is Amoy, which purchases to the extent of nearly half a million sterling of Opium and British manufactures, but as yet furnishes little produce in return.

With regard to Ningpo and Foochow, the trade has hitherto proved but trifling; but the period which has elapsed since they have been opened has been too short, and the attractions of the greater ports have been hitherto too powerful, to enable us to pronounce that towns so considerable, connected with provinces so populous, will not hereafter become important seats of British Commerce.

. . .

A regular Post-Office communication by steam-boats from Hong Kong, both to Canton and to the northern ports, would add much to the security and activity of our commerce.

From Hong Kong we cannot be said to have derived directly much commercial advantage, nor indeed does it seem to be likely, by its position, to become the seat of an extended commerce. It has no considerable population of its own to feed or clothe, and has no right to expect to draw away the established trade of the populous town and province of Canton, to which it is adjacent. From the only traffic for which it is fitted, that of a depot for the neighbouring coasts, it is in a great degree debarred, except in regard to the

five ports, by Treaties, which stipulate distinctly for the observance of this restriction. In addition, however, to these natural and necessary disadvantages, it appears to have laboured under others, created by a system of monopolies and farms, and petty regulations, peculiarly unsuited to its position, and prejudicial to its progress. These seem to have arisen partly from an attempt to struggle with the difficulties in the way of establishing order and security in the midst of the vagabond and piratical population which frequent its waters and infest its coasts; and partly from a desire to raise a revenue in the island in some degree adequate to the maintenance of its Civil Government. To this latter object, however, we think it unwise to sacrifice the real interests of the Settlement, which can only prosper under the greatest amount of freedom of intercourse and traffic which is consistent with the engagements of Treaties and internal order: nor do we think it right that the burden of maintaining that which is rather a post for general influence and the protection of the general trade in the China Seas than a colony in the ordinary sense, should be thrown in any great degree on the merchants or other persons who might be resident upon it.

To the revision of the whole system we would call the early attention of the Government, as well as to that of the Establishment of the Settlement, which, we cannot but think, has been placed on a footing of needless expense.

Inconvenience appears to arise also from the dependence of the Governor on two departments of administration at home. As Governor of the Colony, he is responsible to the Colonial Office; as in a manner representative of the Crown to a foreign Court and Superintendent of Trade, to the Foreign Office. It would be well if this relation could be simplified.

We would also recommend that some short Code should be drawn up for the more convenient administration of justice, as a substitute for that general reference to the Laws of England "as far as they are applicable to the case", which in this, as in some other Colonies, is the sole rule of guidance, and creates much confusion and embarrassment. That drafts of all new laws and regulations, unless of an urgent nature, should, as in India, be published for three or six months before they are finally enacted. That a share in the administration of the ordinary and local affairs of the Island should be given, by some system of municipal government, to the British residents.

A good court of review for the decisions of the Consular Courts should be established, so constituted as to ensure general confidence in its decisions; and in such case the jurisdiction of the Consuls over civil suits might be extended beyond 500 dollars, the present limit, so as more effectually to secure justice to the Chinese in their transactions with British subjects. Facilities should also be given in Hong Kong for the acquisition of the Chinese language and encouragement to schools for the Chinese; and the study of the Chinese language should be encouraged in the Consular officers, whose efficiency in every respect is of the highest importance, especially in the present stage of our commercial intercourse with the country.

The attention of these officers should be vigilantly directed to the question of Transit Duties on the internal communications of China, by which the effect of low duties at the ports of entry might be effectually defeated. On this head, however, there is not as yet much ground of complaint.

A Petition was referred to your Committee, emanating from a highly respectable body of merchants resident at Hong Kong, complaining, among other things, of the mode in which the land sales had been conducted, and that good faith had not been kept in conveying to purchasers no more than a limited tenure of seventy-five years, in lieu of the more permanent interest which they allege to have been held out. It certainly appears that the assurances, however vague, under which some of the early settlers made purchases and entered into engagements, and expended money, may easily have led to this expectation; and we are therefore not surprised at the disappointment. No charge, however, has been sustained against the public officers engaged in the transactions, who appear to have acted in good faith throughout.

The same Petition complains of a want of vigour on the part of the Governor of Hong Kong in protecting the interests of British subjects in their intercourse with the Chinese; but on this subject as we have only partial information, we forbear expressing an opinion.

We feel ourselves, however, warranted by the papers and evidence before us, as well as by general considerations, in reminding our fellow countrymen residing in foreign countries, that while they are entitled to expect that the whole force and influence of their country should be put forth for their protection, when injured in property or person; yet that the interests of commerce are best consulted by studying a conciliatory demeanor, and cultivating the good-will of the nations with which they traffic.

By keeping these considerations constantly in view, by combining firmness in maintaining our rights with a studious respect for the feelings and rights of others, we hope that the newly-opened intercourse with this remarkable empire may be further extended from time to time; and that the jealousies by which it has been so long limited and confined, may, in spite of temporary misunderstandings, which are the natural result of recent differences and ancient prejudices, give way ere long to a cordial confidence, founded on a sense of mutual benefits and mutual respect.

DOCUMENT NO. 22

Report on the Economic Prospects of Hongkong by
W. H. Mitchell, enclosed in a Dispatch from Sir George
Bonham to Earl Grey, No. 114, 28 December 1850

CO 129/34

Memo: upon the present condition, trade, and prospects of Hongkong.

The Colony's prospects are by no means discouraging.

As the great depot of our opium traffic, the Treaty did it no harm. Between 1845-9 some three-fourths of the opium Crops were deposited in and reshipped from this harbour, which thus protected an immense amount of British property. By the end of 1844 all the opium coming to China, save a small portion stored at Cumsingmoon, began to be stored in magazines here, or in two receiving ships in the harbour: that is to say that of 220,717 Chests at \$500 a chest, a low estimate - worth \$110,358,500; at least three-fourth, worth \$82,768,875 was stored here in five years; giving an annual rate of \$16,000,000, or about $3\frac{1}{2}$ million sterling of property deposited in Hongkong. This must now increase, as Cumsingmoon anchorage is being gradually abandoned.

There is of course advantage in the influx of the opium shipping and their disbursements here, and the local firms otherwise benefit exceedingly by their position here. - Messrs. Jardine Matheson & Co. keep a receiving ship in harbour at possibly a tenth of the expense - the difference of crew and other requirements considered - that they could, were she lying in at outer anchorage; and this secure from dangers of the sea, pirates, etc.

Messrs. Dent & Co. have been enabled, for the last two years, to dispense entirely with a receiving ship, and house all their opium on shore. Smaller firms receiving some 50 Chests from India house them in the Colony, thus saving themselves a demurrage of \$5 per Chest per month, which they would have to pay were their opium on board a receiving ship.

The Retail Trade in opium amounts to some 250 Chests a month. Some of this goes unbroken to the West Coast, and is paid for in sugar and sycee; but much of it to the adjoining districts which supply our migratory population, who remit it home in lieu of money.

This colonial traffic, wholesale and retail, amount to perhaps \$100,000 a month, passing through several hands, in and belonging to the Colony.

The modification of the opium monopoly has done much good. Wholesome competition is kept up amongst a number of licensees. The refining of opium here, and the remittance system have sprung up since the above change. An abolition of the tax altogether would be yet farther improvement.

Heretofore the monopoly checked the retail trade. The farmer was his own refiner and, looking as a monopolist for his own price, kept the drug, raw and prepared, at a higher price here than it was sold at Cumsingmoon.

The two great houses make sacrifices to discourage a larger sale of opium here. Whenever native smugglers carry hence a large quantity, the great houses glut the Colonial Market at a reduced rate. The opium so sold follows the smuggler to his port, and he finds he has lost by his trip to the Colony. This manoeuvre not only discourages him but upsets operations here. It is practised to prevent an open traffic; prices would otherwise be laid down for the said Houses, and they could only look out for a moderate proportion of the clearances. As it is, they keep the traffic to the coast, where they have no competitors.

Were it not for this, the coasters, along a certain line, would bring us sugar and carry away not opium alone, but piece goods. Opium is sold at Namoa for dollars, and the whole vicinity thence supplied; the sugar-growing districts are discouraged, as above shown, from seeking the drug here, although the navigation is easy for piracy has greatly decreased, since the destruction of the fleets last year. This is the grand local obstruction to the opium trade of the Colony; still the two houses who inflict this evil on it do no more than make a legitimate use of their capital. Steam and other causes have considerably broken up the monopoly enjoyed by them, till a few years ago; and the extension of Steam communication to Shanghae and will of course work further change.

Hongkong can never have a *legitimate* junk trade, worth a name, until the clauses of the Supplementary Treaty limiting the Junk Trade be abrogated. Trade, as above, between the sugar districts and this Colony is at present punishable, under the Treaty, as far as the native is concerned, with death and confiscation of goods. The Junk trade is, at present, too insignificant to awaken the jealousy of the Chinese Government; were it important our Treaty justifies their interference with it at once.

Thus the influence of two great houses deprives this Colony of a share in the Opium Trade, and the Supplementary Treaty renders it illegal to have any Junk Trade, save with ports, where we do not want it, as our own ships frequent them, and our own Merchants conduct the traffic. But even were Opium legalised and the invidious clauses annulled, we never could have a Colonial Trade in any but the coarser produce of China, for the reasons given in the introductory letter, viz: that they would not bring at their own risk the more precious cargoes which our ships go to the chief outlets of trade to carry.

The present *Junk Trade* is quite irregular and adventitious - no estimate can be made of its value or extent.

As a *whaling station*, Hongkong has been visited by many ships in 1848, 1849 which feared to go to the Sandwich Islands or the Pacific Ports, lest their crews should desert to California: and although this cause maybe held extraordinary, still persons, competent to speak, maintain that whalers will continue to seek Hongkong rather than

Shanghae, where the dangers of the river are to be feared, and there is less suitable tonnage and a worse market for oils, than at Hongkong.

The storage of piece goods is increasing rapidly here - Canton has not of course the same security from fire and other risk. The River Steamers established in the last two years facilitate our selling goods by muster. The proprietor of Storage here is consequently saved his Godown rent and landing charges which amount to 4 mace of Silver per picul on Indian Cotton, and, his bargain being made upon the muster, his goods are forwarded securely and expeditiously to Canton. There must be in this a good to the Colony which any serious fire or disturbances at Canton would considerably increase.

As to California and the West Coast of America - 10,000 tons of shipping were wholly or partly loaded for the above destination between 1st January and 30th of June 1850; of these 6,842 tons were British and but 1,156 American.

The exports were chiefly coarse silks, lacquered ware - floor matting, camphor-trunks, fire works, sweetmeats, tea, sugar, molasses, wrought granite, wooden houses, planed lumber, and nicknacks of all sorts.

Much of the sugar was loaded here the molasses is packed here - sweetmeats and fireworks are manufactured here - as are also, and to a considerable extent camphor wood articles; all of which is to the employment of much labor. But the cheapness of stone-cutting here, and the great want of stone ready cut for building in California, a sandy region, promise a considerable market in this article, which is readily taken, freight free, as ballast; and cannot be laid down so cheaply from any greater source as from this. At present California imports bricks round Cape Horn from Liverpool and New York.

For the supply of the Californian market, we may speculate on the possibility of our having here some establishments of Pongee weavers; but the inducement to a Chinese to emigrate must be strong; there is a better chance of the *dyers and printers* of the coarse silks coming here, as the duty on dye stuffs would be saved in a free port. But the sugar despatched hence is the most satisfactory export, as the great probable staple of exports from China to the West, and as an article usually exchanged with opium; while the repacking of it here is a farther advantage to the Colony. Fokien sugar could be laid down here at 10 or 12 per cent cheaper than Canton sugar, either in coasters, or foreign vessels coming down in ballast.

The Chinese population about to spring up on the west coast of America must not be forgotten, and for this Hongkong will be the Chief Port of supply.

Two thousand Chinese have already left China for the West Coast; the dearth of labor felt from Valparaiso to Lima and the Mexican sea will vastly swell this number. The Chilian Government give a bounty

of \$30 a head on all healthy Chinese, and exceeding 30 years of age landed at any of their sea ports.

In conclusion, Hongkong, is a useful outpost to our general trade, a refuge under temporary difficulties, and a check on the insolence or treachery of China. It is a better position than Chusan and as good as any we could have chosen on these shores.

The Chinese shopkeeper, artisan, or coolie now starts fair without exaggerated hopes of gain or fears of oppression. The summary administration of Justice, besides being cheap, is after the liking of a Chinese, and contrasts most favourably with the unsatisfactory mediation of the Attornies as in vogue a few years ago. Artisans have benefited much by the Californian demand and the coolie population is on a better footing. The large gangs thrown out of employ on the completion of the larger buildings have dispensed, and vagabonds are fewer. The graver class of felonies has been abated, although its proximity to the mainland and the Islands around it still leaves the Colony with heavy bills of Crime.

In fine the Colony appears to have found its actual level; is gradually working round to its proper uses; and may therefore be pronounced to be prospering, with sufficient promise of improvement.

December 30th, 1850.

DOCUMENT NO. 23

Minutes by A. Blackwood and Earl Grey on a Despatch from
Sir S. G. Bonham to Earl Grey, 24 April 1849, No. 41, on
the Suppression of Piracy CO 129/29

In 1845 a proposal was submitted to Her Majesty's Government by Sir John Davis to fit out two cruisers for the suppression of piracy in the vicinity of Hong Kong, the Chinese Merchants having offered, if he would do so, to bear the greater part of the expense. Lord Stanley authorized Sir J. Davis to carry this Scheme into effect.

In June 1846 Sir J. Davis reported that the Chinese Merchants had withdrawn from their offer to bear a share in the expense of these Cruisers, and that in consequence he had defrayed out of the Colonial Revenue the expense of building and fitting out one Cruiser to be employed against Pirates.

When this proposal was communicated to the Admiralty Lord Grey expressed his serious doubts whether as a permanent measure the employment of a Cruiser of this description, would be expedient, and also whether any vessel employed on this service ought not rather to be commanded by an officer of Her Majesty's Navy regularly commissioned, and acting under the direct authority of the

Admiralty. The Treasury having sanctioned the expense, and the Admiralty having concurred in the views taken by Lord Grey, Sir J. Davis was informed that Her Majesty's Government sanctioned the employment of the Cruizer as an experiment, and the Governor was at the same time furnished with the correspondence which had passed between this Office and the Admiralty on the subject of placing this vessel, if the result of her employment were successful, under the orders of that Board.

Early in July 1847 Sir J. Davis reported that in pursuance of his orders from home he had handed the Gunboat over to the Senior Naval Officer in China as a tender to that Admiral, but that after a year's experience, the principal objection to her was her small size which made it impossible to place a Commissioned Officer in charge of her.

Circumstances at that time drew the attention of the local Government to the necessity of improving the Water Police of the Colony, and it was determined to increase that force, and discontinue the Cruizer. It was calculated that this arrangement would save £800 per annum, and the suppression of piracy be "equally if not better attained". The Boat used by this Police Force was a captured Pirate Boat fitted up for her new service. She was lost in the Typhoon of the 31 August last.

(A. BLACKWOOD)

To HERMAN MERRIEVALE.

Transmit a copy to the Admiralty at the same time referring to the former correspondence on this subject, and saying that the protection of British commerce from pirates in the neighbourhood of Hongkong is a service which ought not in my opinion to be undertaken by the Colonial Government, whatever may be the description of vessels employed I consider it to be indispensable that they would be considered as forming part of Her Majesty's Naval forces and should as such be furnished by the Admiralty and act under their Lordship's orders. At the same time I have to call the attention of their Lordships to the extreme importance of their adopting the measures which they may consider most likely to be effectual for the complete suppression of piracy in the waters of Hongkong.

GREY

DOCUMENT NO. 24

Dispatch from Sir Hercules Robinson to Duke of Newcastle,
No. 71, 11th May 1864, forwarding a Report on Piracy by
Captain U. S. Nolloth, R.N. 30th April 1864

CO 129/98

No. 71

11 May 1864

My Lord Duke,

I have the honour to transmit for your Grace's information copy of a communication which I have received from Captain Nolloth R.N., the Senior Naval Officer of the Hong Kong Division of the China Station, enclosing copies of recent reports received by him relative to Piracy, and commenting on the prevalence of the evil in the immediate waters of Hong Kong.

2. These papers prove beyond all doubt the menacing boldness of the Pirates who infest this neighbourhood. They show that not only is a species of blackmail levied upon the fishing and provision boats and other native craft frequenting our market, but that most daring acts of piracy have lately been perpetrated under circumstances of great atrocity upon European vessels within sight almost of this Harbour. They confirm also the opinion which I communicated to your Grace in my letter of 21st May last written when I was in England, that some more efficient system of suppression, than that followed at present by the Naval Authorities, must be adopted before the waters of this Colony and the approaches to them can be effectually secured against such disgraceful depredations.

3. At present upon a piracy being reported a Gun Boat, when one is available, is sent out in pursuit of the offenders. But so much time is lost that the particular pirates sought for are rarely overtaken. These know as well as possible when and where they will be looked for and arrange their plans accordingly. And the sufferers finding how seldom their losses are recovered become apathetic, so that as pointed out by Captain Nolloth, many cases of piracy occur in this neighbourhood of which no information whatever reaches the Government.

4. The course which in my opinion should be followed has already been indicated in my letter before referred to. One Gun Boat or perhaps even two should be kept perpetually cruising either under sail or steam in the immediate vicinity of Hong Kong. The Pirates would then never know at what moment they might be surprised, and I have no doubt that by such a measure the neighbouring waters within a certain radius might eventually be rendered comparatively secure. Captain Nolloth concurs entirely in this opinion but the means at his disposal at present would not enable him to give effect to it.

5. It appears to me that the cost of the Police of the Hong Kong waters and the approaches to them fairly devolves upon the Colonial Revenue, provided it can meet the Charge: but that if it

cannot, the duty should be undertaken by the Imperial Government, as the existence of such a state of things as I have described in the immediate neighbourhood of a British Colony, and even within British waters, reflects discredit upon the British name and rule.

6. The cost of a Gun Boat fully mounted and equipped would amount, I was informed when in England, to about £4,500 a year, including a fair supply of coal. Whether the Colony could bear this additional burden at present or not will depend upon the decision which your Grace may arrive at upon the question of Military Contribution as submitted in my Despatches Nos. 30 and 35 of 9th and 12th ultimo.

7. In the first of these Despatches I pointed out

- (1) That the estimated available balance at the close of this year would be entirely absorbed in the completion of the various public undertakings at present sanctioned by your Grace and in progress
- (2) That new public works could only be undertaken for the future out of the proceeds of new land sales and
- (3) That the ordinary revenue of the Colony for next year could not be estimated at more than £115,000 while the ordinary expenditure amounted to £105,000, leaving a margin of only £10,000 to meet all contingencies.

8. I accordingly asked in the second Despatch above referred to, not that the Military Contribution demanded for next year should be remitted, but that time might be allowed for paying it until a portion of the large amount now being invested in the mint should be recovered.

9. If this application be granted I think that £4,500 of the probable surplus of £10,000 estimated for next year could not be better expended than in the hire of a Gun Boat from the Admiralty, and a second vessel might be obtained in like manner whenever the finances of the Colony admit of it. Should however my appeal for time be refused this additional burden could not be met, and the suppression of piracy in the neighbourhood must either be undertaken by the Imperial Government, or be left, as at present, in a great measure unperformed.

10. In the event of the Colony being in a position to undertake the duty I would recommend that the Admiralty should place a Gun Boat properly equipped at the disposal of the Colonial Government for this special purpose, the admiralty being relieved of all the expense of the arrangement by an annual payment. If the vessel were placed under the orders of the Naval Commander-in-Chief, in the same manner as all other men of war on the station, efficiency would be secured, and all difficulties would be got rid of as regards triennial relief and discipline as well as jurisdiction, that of the Colony being much too limited to meet the object in view. At the same time an order from the Admiralty would be sufficient to place

the vessel as regards destination and daily duty at the disposal of the Governor; and an arrangement that, if it become necessary under an exigency of the public service to remove the vessel, reasonable notice should be given and that the expense of it should then fall upon the Imperial Government, would be quite sufficient to ensure the vessel not being needlessly withdrawn by the Commander-in-Chief for Imperial purposes.

11. I enclose a copy of an unofficial letter upon this subject which I received from Admiral Sir James Hope when I was in England, and which he has allowed me to make use of. It will be seen from it that he suggests the arrangement which I have recommended above, and mentions instances in which vessels were detached by him when in command of this station, in a similar manner for the special use of the Military authorities.

There are at present several Gun Boats laid up in ordinary here, but I am advised that such vessels are ill adapted for Colonial purposes, as they are very deficient in accomodation, and their high pressure engines require constant repair.

I have the honour to be
My Lord Duke,
Your Grace's most obedient servant

HERCULES Gh. ROBINSON

The Nolloth Report

H.M.S. Princess Charlotte,
Hong Kong, 30th April 1864

Sir,

I have the honour to transmit in compliance with Your Excellency's request copies of recent reports relative to piracy, received from Officers in Command of Gun Boats attached to the Hong Kong division of the China section.

2. Cases of minor importance and unsuccessful pursuits of pirates of which I have required verbal reports only, have occurred within the period embraced.

3. During the 2½ years which I have served as Senior Naval Officer here, numerous instances have come to my knowledge of the boldness of pirates in the immediate waters. The Cantonese are considered the most enterprising and cruel of the pirates on the coasts between this and the Chusan Islands, and the best informed regarding the character and movements of European vessels. European vessels are seldom attacked by others than the Cantonese, and there is reason to believe that it is with Cantonese and Hong Kong pirates alone that Europeans and Americans have become associated.

4. On one occasion a boat with a family belonging to Victoria was seized in this harbour and the father allowed to return from the pirates' haunt - about 14 miles from Hong Kong to procure ransom for the captives, when the matter having been reported to me by the released man, a Gun Boat was sent during the night and captured 3 men each of whom was condemned to 10 years' penal servitude.

5. At an earlier period Your Excellency may recollect that a pirate junk which had captured and burnt a European vessel close outside this harbour under circumstances of great atrocity was recognised shortly afterwards cruising among the shipping at the anchorage and that the circumstance having been reported to me by the master of the destroyed vessel - then in a Chop-boat under medical treatment for his wounds - she was seized and handed over to the police and her crew of 5 men hanged.

6. With reference to daring acts of piracy within the waters of this Island I would point Your Excellency's attention to the case of the Danish vessel "Chico" here rendered, by which it will be seen that in January last a European vessel was plundered and burnt at one of the entrances of the harbour and that the master and chief mate were murdered and others of the crew wounded who had been left below by the pirates in the belief that they had been suffocated by the stinkpots thrown from the hatchway.

7. The "Haughty" has this day returned to this port from an unsuccessful search for pirates who had carried off a boat (with her crew) in the Lyemooon passage to this anchorage releasing the latter after a fortnights' confinement in a place unknown to the captives a short distance from Hong Kong. In this case as in every other whether a Gun Boat has been successful or not in her special object several reports of recent piratical acts were made to the Lieutenant in Command by fishermen and others of whom enquiries had been made relative to the particular case.

8. There cannot be a more convincing proof of the frequency with which piracy is committed with impunity in these waters, than the fact that along the coast and in the actual waters of this island, fishermen and other seafaring people whose pursuits often bring them together in numbers although they are frequently separated, are in the habit of subscribing to pay native junks - themselves generally if not always pirates - for protection.

9. In conclusion I may observe that undoubtedly many cases of piracy occur in this neighbourhood of which no information whatever reaches us. The natives never take the trouble of reporting illegal acts from which they have not themselves suffered and I believe even the sufferers themselves seldom take any steps unless they believe there is a great probability of recovering their losses. On one occasion a passage vessel which had been attacked just outside the harbour anchored here, among numerous native craft,

in the evening, with several killed and wounded persons, but it was not until the next day at 10 a.m. that the Police became accidentally informed of it.

I have etc.

(Sgd.) U. S. NOLLOTH

Captain and Senior Officer of the
Hong Kong Division of the China
Station.

His Excellency
The Governor &c. &c. &c.,
Hong Kong.

The Nolloth Report had 23 enclosures of which 3 are given here.

British Consulate
Amoy, 2nd January 1864

Sir,

For many months past the Chinese Authorities here have been continually representing to me the increased number and daring of piratical vessels in this neighbourhood and urging me to move H.M. Naval Authorities to take measures to free the neighbouring coasts of these pests which have on several occasions followed native craft and captured them even within the islands forming the bounds of the outer harbour of this port. At first I paid little regard to these representations as it did not appear to me that our own interests were materially interfered with even indirectly and I did not consider that it was at all incumbent on H.M. Vessels of War to afford protection to Chinese subjects which the latter have a right to look for at the hands of their own authorities.

Lately however I have had reason to believe that the depredations of these pirates were indirectly affecting British interests. Chinese merchants in the habit of dealing with foreigners have frequently been to me to state that they could not purchase goods for conveyance to neighbouring ports, or bring produce from them on account of the great risk of their being captured by pirates; and I am inclined to believe that the depression of trade complained of by foreigners at this port may lately have been partly owing to this reason. On some occasions too I have heard that masters of British vessels have been deterred from going into anchorage in the coast in consequence of seeing piratical vessels there, or have left such anchorages on account of the arrival of heavily armed West Coast Boats that they have deemed it imprudent to pass the night with at anchor. These hindrances to the free navigation of the neighbouring coast must I imagine be a source of great inconvenience and even of positive danger in this monsoon.

Under these circumstances I think it right to convey to you for your consideration an application for assistance just made by the local authorities of this Port. They offer to send one of their own cruizers in company with you if you see fit to proceed on an expedition against these outlaws; or if you consider that the chance of success by the Gun Boat going alone to send a Marine officer of fitting rank and experience on board the "Haughty" with linguists, coast pilots and any other people you may think necessary.

I have to add in conclusion that the increasing foolishness of the pirates in this neighbourhood innnot caring to avoid foreign merchant vessels as they formerly did (together with some other circumstances that have come to my knowledge) lead me to believe that they must have some Europeans amongst them. If my belief is well founded there can be no doubt that ere long they will not only avoid foreign vessels but will seek opportunity of attacking the more defenceless of them.

I am etc.

(Signed) W. H. PEDDER

Lient. Wells commanding H.M. G.B. "Haughty"
Senior Naval Officer
Amoy.

Letter of Proceedings

H.M. Gun Boat "Grasshopper",
Hong Kong 24th March 1864

To Captain U. S. Nolloth,
Senior Officer.

this followed a Piracy Report
by W. Quin Capt. Superintendent
of Police 21 March 1864

Sir,

In pursuance of your orders of the 22nd inst. relative to some piratical junks which had fired into and pirated a Hong Kong fishing boat. I have the honour to inform you that having received on board an interpreter with two of the Chinese informers I proceeded in the Gun Boat under my command towards the Island of Fooniang, managing to arrive there after dark so as not to be seen. On searching the harbour and creeks I received information that the junks in question had been there two or three days back, but had now left, I therefore proceeded at 10 p.m. towards Mers Bay, and at midnight arrived close to the village of Typoong where the piratical junks were supposed to be lying, a large fire was now lit on the hills abreast of the Gun Boat being evidently a signal of our approach and three fishing boats informed us that the pirate junks were lying aground a short distance off. I therefore ordered the boats to be lowered and proceeded towards the junks, but their crews had taken the alarm, and before

we could get alongside they were some distance up the hills, chase was given but no prisoners could be captured - the junks were recognised by the informers, but the inhabitants denied any knowledge of them saying they had only arrived the day before, and were pirates, they also said that the crews did not belong to their village, this information I considered to be untrue as it is a piratical "Hakka" village, and in the Gun Boat "Opossum" I had on a former occasion visited this place, and destroyed two junks having nine guns on board and which had attacked and pirated two Portuguese lorchas, which fact was confirmed by the greater proportion of the lorchas' gear being in the junk when taken. Yesterday, the 23rd inst. I went through the village, which has very rich shops containing everything required for fitting out a fleet of junks and also a great number of men.

I burnt two of the piratical vessels, and succeeded in towing the third to Hong Kong, though with much difficulty, the swell being heavy and the hawsers continually carrying away.

I have &c.,

(Signed) CHARLES F. WALKER,

Lieutenant Commanding
"Grasshopper" Gun Boat

Police Department,
Victoria Hong Kong,
19 April 1864

Cheong Chong Foo - master and owner of a boat employed between Kowloon and Victoria in carrying firewood - residing at the city of Kowloon but not belonging to that place - reports that at 3.0 a.m. on 1st inst. when sailing from Sai Goong near Kowloon City with a crew of 4 men and a cargo of wood in the Lyemoo Pass when off Shawkiwan, he was piratically attacked by a Dai-loong boat containing 20 men who came alongside boarded, took possession put the crew under hatches and sailed off to a place unknown to informant, who with the crew were released on the 14th inst. and arrived at Hong Kong on the evening of the 15th inst. Boat and property valued at \$100. Cannot identify any of the pirates don't know their whereabouts. Pirate boat armed with guns and muskets can identify if seen.

Signed W. Quin

Capt. Superintendent

[But Lt. Wells had to report had no success having searched all inlets and harbour of Mirs Bay and Rocky Harbour etc. &c. 25th April 1864 to Capt. Nolloth.]

DOCUMENT NO. 25

British Policy regarding Piracy in Hong Kong waters after the Governor of Hong Kong had ceased to be Plenipotentiary and Superintendent of Trade.

Dispatch from Sir Richard Graves MacDonnell to the Earl of Carnarvon, No. 19, 14 April 1866 and reply. CO 129/112

No. 19

Government House,
Hongkong, 14th April 1866

Sir,

I have hitherto refrained from replying to your dispatch No. 2 of the 26th December last relative to the prevention of Piracy in the China seas and more especially relative to the measures which the authorities here might take for controlling that evil within the limits of the Colony. I had thought it probable you might send me consequent on the letter of the 26th January addressed by Lord Clarence Paget to Sir Frederic Rogers, and of which I received a copy from Admiral King soon after my arrival here.

2. As however, two mails have come in since then without any further communication from you on the subject, and as the letter addressed to Sir Frederic Rogers expresses an opinion that certain final arrangements had better be deferred till receipt from Hong Kong of information as to the intentions of myself and Council, I do not feel at liberty longer to postpone some notice of your communication.

3. That dispatch refers amongst other matters to the possibility of placing at the disposal of this Government one or more Gunboats to be built and maintained wholly or in part at the expense of the Colony, and to be employed within the Hong Kong jurisdiction or its immediate neighbourhood.

4. I consider that circumstances have greatly modified the views which seemed feasible when you did me the honour of discussing this subject with me in London, because it is obviously impossible for me to recommend an additional annual charge on the Colony of some 50,000 dollars, when I have been obliged to report the financial condition of the Colony as so critical that I must soon both diminish the expenditure and increase the taxation - steps which I am actually engaged in carrying into effect.

5. Therefore, if it be contemplated still that the Colony should defray half the annual cost of two highly effective gunboats - a most wise and useful expenditure if practicable - it is necessary to obtain the requisite funds by additional taxation or defer the project till it be ascertained whether the Mint will realise the profits once expected from that establishment.

6. Again - so far as the agency of the Legislative Council and Public Opinion is necessary for engaging the credit of the Colony in the maintenance of one or more gunboats - the fact that Admiral King has new independent instructions to commission two more gunboats at Hong Kong "to be employed in the suppression of Piracy in that neighbourhood" render very ineffective an appeal for Colonial funds to carry out what is being at least accomplished in part by the Admiralty.

7. I therefore do not consider that I am at this moment in a position to propose to my Council any plan for the expenditure of Colonial funds in the maintenance of armed vessels and although at some future and possibly not very distant period, circumstances may justify a very different view, yet just now I am convinced that to press for any such contribution from the Colony would lead to much unpleasantness which had better be avoided.

8. I need scarcely say however, that there is a very wide field for useful action offered in the improvement of our Police, Registration of vessels administration of justice and many other important points having a close connection with the suppression of Piracy and crime. I have already got together much useful information on these points, and when transmitted I trust that the position and duties of Hong Kong in relation to Piracy will be better understood.

9. It is necessary to draught a new ordinance in regard to Registration, to remodel the Harbour Master's office, to adapt the Police Force to new duties to constitute a fresh tribunal for trial of Piracy cases. All these matters are being proceeded with and I may add that it is my intention to forward to Sir Rutherford Alcock at Pekin, such information as I hope, if there be no reason to the contrary to induce the Chinese Government to aid in the only effective way they can, viz., by a direct pecuniary contribution to the maintenance of several additional British gunboats. The figures which I can adduce prove clearly the injustice of throwing almost entirely on the British Flag and the British Exchequer the police duties of the China seas.

10. It is possible that the American, Russian, Spanish, Dutch and French squadrons in China seas might in proportion to the respective strength of each be induced to contribute to some plan of combined operation; but direct primary aid, and the pressure, when necessary, of a Chinese mandarin to give legal sanction to action taken in Chinese waters constitute apparently the most effective co-operation which we can expect from the Chinese.

I have the honour to be,

Sir,

Your most obedient servant

RICHARD GRAVES MACDONNELL

Governor

Reply by the Earl of Carnarvon.

Governor Sir R. G. MacDonnell

Downing Street
10th August 1866

Sir,

I have under my consideration the dispatches noted in the margin which you have addressed to my predecessor on the subject of Chinese Piracy; and the various suggestions contained as well in those dispatches as in your correspondence at Canton.

In one of those Dispatches you allude to a proposal recently under the consideration of Her Majesty's Government for the remission of £10,000 per annum, out of the military contribution now required from the Colony of Hong Kong and the maintenance at the expense of the Colony of a certain Naval force for the suppression of Piracy, no decision has been hitherto communicated to you upon that proposal because none has till now been adopted in the absence of that report which you were instructed to furnish by Mr. Cardwell's Dispatch of the 26th of December last.

The scheme is one which I should gladly have entertained. But the communications which I have now received from you and a correspondence which had already passed between this Department and the Admiralty convince me that it must for the present be abandoned. The full military contribution of £20,000 per annum, will therefore continue payable by the Colony to the War Department and will of course be transmitted for that purpose to the Crown Agents at the usual periods.

It will then fall upon the Local Government and Legislature, without endeavouring to interfere with operations beyond the range of their territorial jurisdiction to provide that its Harbour regulations, its Land and Water Police, and its Courts of Justice are thoroughly effective for the prevention and punishment of piracy within the limits of their jurisdiction and to secure that neither the City nor port of Victoria nor, as far as possible, any other port over which the Hong Kong Government has authority shall be made a point of departure for piratical expeditions or a market in which pirates may purchase arms or supplies or exchange information.

It is to these points that the responsibility of the Hong Kong Government will now be confined, and it is on them that the efforts of the Government should be concentrated. I need hardly add that Her Majesty's Government deem it of the highest importance that the Colony should perform its duties in these respects, in such a manner as to furnish an example to the Chinese Government and a fitting support to the commerce on which its own prosperity depends.

I have read with much interest and have communicated to the Foreign Office your correspondence with Sir R. Alcock and Mr. Robertson.

The proposal that the Government of China should pay to that of Great Britain a species of subsidy to be applied towards the suppression of piracy has been formerly considered in this country and was held liable to serious objections. But it would appear from recent Dispatches that the Chinese Government are about to charter a certain number of steamers and employ them upon the service in concert with the British vessels engaged in it.

You appear to be perfectly aware that the proposal that none but Government vessels should be allowed to carry arms in the Chinese seas is impracticable for the present. But it may be worth considering whether vessels carrying arms without a licence obtainable from the Government of China, Hong Kong, or Macao, or in excess of the quantity allowed by that license, might not be subjected to some severe penalty.

I wish you also to consider the necessity of imposing some stringent restrictions on the export of arms. I am aware that any such restriction may interfere in some degree with the facilities of trade which Hong Kong at present enjoys. But if it be found that such restrictions would conduce to the suppression of an intolerable evil, the temporary and partial inconvenience which this would cause in the Port of Victoria must of course be accepted as one of the occasional evils attaching to the advantage of the position which it occupies in relation to Chinese Commerce.

I have to add that Lord Stanley will communicate with Sir R. Alcock in regard to the suggestion that the Chinese Authorities should require junks carrying arms for self-defence to take out licences for doing so.

I have etc.,

CARNARVON

V. THE GROWTH OF THE ENTREPÔT TRADE

Some indication of the difficulty of obtaining accurate and precise information regarding the trade of Hong Kong has already been mentioned above. The main questions, and it is easier to ask the questions than to find the answers, relate to:- the proportion of the entrepôt trade between China and the West which was enjoyed by Hong Kong, as compared with that of the Treaty Ports; the spread of the entrepot trade from that between China and the West to the Far East as a whole; the passenger traffic; trade with Chinese overseas communities; the carrying trade and development of shipping; and the growth of Chinese participation in and ownership of import and export firms.

It has already been pointed out that Hong Kong's prosperity was not merely a function of the physical trade entering and leaving its harbour; it rested also on the Island being the headquarters of the principal Far Eastern commercial firms and upon its specialised markets and its ability to offer specialised commercial and professional services.

The first document given in this section, No. 26, is a table of shipping, population, and migration from 1842 to 1930 taken from the Hong Kong Government Historical and Statistical Abstracts, 1932. Figures for subsequent years are readily accessible in Government publications. The Chinese Passengers Act of 1855, given as Document No. 27, is included because Hong Kong's prosperity was partly built upon the vast flow of Chinese migration. The overseas Chinese communities in the Pacific area, the West Indies, Australian Colonies, in South-east Asia and Indian Ocean, clung to their Chinese way of life and the resulting demand for Chinese products was met largely by Chinese merchants in Hong Kong, the Nam Pak Hong, and contributed in no small degree to the rise of the Chinese merchant class in Hong Kong. Documents 28 and 29 give evidence of this increasing prosperity of the Chinese, which incidentally had the social result in Hong Kong of bringing the Chinese into districts which had before been solely occupied by Europeans. Document No. 30 is a report by the Governor, Sir William des Voeux on the economic prospects of Hong Kong in 1889. Document No. 31 is a report in 1891 on the declining junk trade and reflects the increasing importance of the British carrying trade.

In Document No. 32, are given five estimates of Hong Kong trade extracted from official Government Reports for the years 1868, 1888, 1898, 1919 and 1938, chiefly those of the Harbourmaster's Department and the Imports and Exports Department. Figures for the year 1919 are given because statistics of Hong Kong trade were first accurately compiled in that year following legislation which made it

obligatory on the merchants to supply the necessary information. Of the extracts from the Reports printed here those of 1868, 1888 and 1898 give examples of the rough approximations used before 1919. That of 1938 has been added to show the situation up to the Second World War. Document No. 33 gives extracts from the statistical tables prepared by the Chinese Imperial Maritime Customs to show trade between Hong Kong and China.

DOCUMENT NO. 26

Table of Shipping, Migration and Population. 1841-1930

This Table is taken from the Historical and Statistical Abstracts of the Colony of Hong Kong 1841-1930. Third Edition, printed by Noronha & Co., Government Printers, Hong Kong 1932.

| Year | <u>SHIPPING</u> | | <u>MIGRATION</u> | | <u>POPULATION</u> | | |
|------|---------------------|-----------|------------------|---------|-------------------|------------|---------|
| | Number | Tonnage | Left | Entered | Non-Chinese | Chinese | Total |
| 1842 | ... | ... | ... | ... | ... | 12,361 | ... |
| 1843 | ... | ... | ... | ... | ... | ... | ... |
| 1844 | 538 | 189,257 | ... | ... | 454 | 19,009 | 19,463 |
| 1845 | 672 | 226,998 | ... | ... | 1,043 | 23,114 | 24,157 |
| 1846 | 675 | 229,255 | ... | ... | 1,386 | 20,449 | 21,835 |
| 1847 | 694 | 229,465 | ... | ... | 1,406 | 22,466 | 23,872 |
| 1848 | 700 | 228,818 | ... | ... | 1,502 | 22,496 | 23,998 |
| 1849 | 902 | 293,465 | ... | ... | 1,210 | 28,297 | 29,507 |
| 1850 | 863 | 299,009 | ... | ... | 1,305 | 31,987 | 33,292 |
| 1851 | 1,082 | 377,084 | ... | ... | 1,520 | 31,463 | 32,983 |
| 1852 | 1,097 | 433,383 | ... | ... | 1,541 | 35,517 | 37,058 |
| 1853 | 1,103 | 477,053 | ... | ... | 1,481 | 37,536 | 39,017 |
| 1854 | 1,100 | 443,354 | ... | ... | 1,643 | 54,072 | 55,715 |
| 1855 | 1,736 | 604,580 | 14,683 | ... | 1,956 | 70,651 | 72,607 |
| 1856 | 2,091 | 811,307 | 14,130 | ... | 2,479 | 69,251 | 71,730 |
| | | | | | (Whites) | (Coloured) | |
| 1857 | 1,070 | 541,063 | ... | ... | 1,411 | 75,683 | 77,094 |
| | Entered and Cleared | | | | Non-Chinese | Chinese | |
| 1858 | 1,975 | 1,354,173 | 15,810 | ... | 1,462 | 74,041 | 75,503 |
| 1859 | 2,179 | 1,164,640 | 10,217 | ... | 1,661 | 85,280 | 86,941 |
| 1860 | 2,888* | 1,555,645 | 15,183 | ... | 2,476 | 92,441 | 94,917 |
| 1861 | 2,545 | 1,310,383 | 12,840 | 2,167 | 2,986 | 116,335 | 119,321 |
| 1862 | 2,720 | 1,344,710 | 10,421 | 7,398 | 3,034 | 120,477 | 123,511 |
| 1863 | 3,657 | 1,806,881 | 7,908 | 7,193 | 3,149 | 120,701 | 124,850 |
| 1864 | 4,558 | 2,064,372 | 6,607 | 6,778 | 3,630 | 117,868 | 121,498 |
| 1865 | 4,445 | 2,134,164 | 6,849 | 6,026 | 4,007 | 121,497 | 125,504 |
| 1866 | 3,783 | 1,891,281 | 5,115 | 9,253 | 3,616 | 111,482 | 115,098 |

* Inclusive of Canton and Macao River Steamers.

| SHIPPING | | | MIGRATION | | POPULATION | | |
|----------|--------|------------|-----------|---------|--------------------------------|---------|---------|
| Year | Number | Tonnage | Left | Entered | Non-Chinese | Chinese | Total |
| 1867 | 4,879 | 2,376,320 | 4,283 | 9,866 | 3,636 | 113,835 | 117,471 |
| 1868 | 4,095 | 1,974,299 | 8,704 | 10,752 | No Estimate made of population | | |
| 1869 | 4,426 | 2,256,049 | 18,285 | 16,203 | 7,699 | 114,280 | 121,979 |
| 1870 | 4,791 | 2,640,347 | 12,992 | 16,618 | 8,754 | 115,444 | 124,198 |
| 1871 | ? | 3,235,701 | 9,501 | 19,754 | No Estimate made of population | | |
| 1872 | 6,099 | 3,795,566 | 27,721 | 23,773 | 6,421 | 115,564 | 121,985 |
| 1873 | 4,675 | 3,273,119 | 28,768 | 25,355 | No Estimate made of population | | |
| 1874 | 4,356 | 3,034,036 | 31,866 | 32,319 | " | " | " |
| 1875 | 5,201 | 3,893,687 | 48,152 | 38,602 | " | " | " |
| 1876 | 5,751 | 4,359,616 | 46,350 | 42,390 | 8,976 | 130,168 | 139,144 |
| 1877 | 5,701 | 4,850,896 | 39,741 | 48,746 | No Estimate made of population | | |
| 1878 | 6,131 | 5,209,437 | 38,653 | 47,882 | " | " | " |
| 1879 | 5,503 | 4,964,339 | 33,529 | 50,542 | " | " | " |
| 1880 | 5,775 | 5,078,868 | 50,324 | 51,011 | " | " | " |
| 1881 | 6,412 | 5,686,488 | 70,625 | 52,983 | 9,712 | 150,690 | 160,402 |
| 1882 | 6,880 | 6,337,024 | 78,864 | 61,905 | No Estimate made of population | | |
| 1883 | 6,785 | 6,882,381 | 57,438 | 74,722 | " | " | " |
| 1884 | 6,601 | 6,961,758 | 51,247 | 73,767 | " | " | " |
| 1885 | 6,827 | 7,699,099 | 57,517 | 80,773 | " | " | " |
| 1886 | 8,448 | 9,080,390 | 64,522 | 88,704 | 10,412 | 171,290 | 181,720 |
| 1887 | 8,152 | 9,169,534 | 82,897 | 92,375 | 10,522 | 175,410 | 185,962 |
| 1888 | 7,581 | 9,006,677 | 96,195 | 98,195 | 10,692 | 179,530 | 190,222 |
| 1889 | 7,588 | 8,971,990 | 47,849 | 99,315 | 10,832 | 183,650 | 194,482 |
| 1890 | 8,219 | 9,771,743 | 42,066 | 101,147 | 10,972 | 187,770 | 198,742 |
| 1891 | 8,707 | 10,279,043 | 45,162 | 105,199 | 10,494 | 214,320 | 224,814 |
| 1892 | 8,974 | 10,294,152 | 52,143 | 97,971 | 10,590 | 221,072 | 231,662 |
| 1893 | 8,758 | 10,537,859 | 82,366 | 108,644 | 10,686 | 228,038 | 238,734 |
| 1894 | 8,452 | 10,469,232 | 49,023 | 96,095 | 10,782 | 235,224 | 246,006 |
| 1895 | 9,089 | 11,525,586 | 73,138 | 112,685 | 10,828 | 237,670 | 248,498 |
| 1896 | 9,352 | 12,333,396 | 66,822 | 119,468 | 12,709 | 226,710 | 239,419 |
| 1897 | 9,944 | 12,124,599 | 62,831 | 115,207 | 13,700 | 235,010 | 248,710 |
| 1898 | 11,058 | 13,252,733 | 60,432 | 105,441 | 15,190 | 239,210 | 254,400 |
| 1899 | 10,905 | 13,437,147 | 61,075 | 110,448 | 15,822 | 243,490 | 259,312 |
| 1900 | 10,940 | 14,022,167 | 83,643 | 121,322 | 14,778 | 247,900 | 262,678 |
| Census | | | | | | | |
| 1901 | 10,807 | 14,599,141 | 65,774 | 129,030 | 20,096 | 280,564 | 300,660 |
| 1902 | 12,461 | 16,275,998 | 71,711 | 129,812 | 18,524 | 293,300 | 311,824 |
| 1903 | 14,489 | 19,018,411 | 83,384 | 140,551 | 18,581 | 307,050 | 325,631 |
| 1904 | 16,976 | 19,333,096 | 76,304 | 149,195 | 18,900 | 342,306 | 361,206 |
| 1905 | 18,103 | 19,778,176 | 64,341 | 140,483 | 17,977 | 359,873 | 377,850 |
| Census | | | | | | | |
| 1906 | 16,397 | 19,833,666 | 76,725 | 134,912 | 21,560 | 307,388 | 329,038 |
| 1907 | 18,096 | 20,381,421 | 105,967 | 145,822 | 18,550 | 395,818 | 414,368 |
| 1908 | 19,604 | 20,104,795 | 71,081 | 157,809 | 19,786 | 401,713 | 421,499 |
| 1909 | 18,714 | 20,171,755 | 77,430 | 144,821 | 20,479 | 408,409 | 428,888 |
| 1910 | 17,557 | 20,966,504 | 111,058 | 149,564 | 20,806 | 415,180 | 435,986 |
| 1911 | 19,644 | 20,490,520 | 135,565 | 149,894 | 18,893 | 445,384 | 464,277 |
| 1912 | 21,010 | 21,614,995 | ... | ... | 21,163 | 446,614 | 467,777 |
| 1913 | 21,867 | 22,939,134 | 142,759 | 166,921 | 21,470 | 467,644 | 489,114 |
| 1914 | 23,740 | 22,069,879 | 76,296 | 168,827 | 20,710 | 480,594 | 501,304 |

| <u>SHIPPING</u> | | | <u>MIGRATION</u> | | <u>POPULATION</u> | | |
|-----------------|--------|------------|------------------|---------|-------------------|---------|---------|
| Year | Number | Tonnage | Left | Entered | Non-Chinese | Chinese | Total |
| 1915 | 23,051 | 19,561,318 | 68,275 | 109,753 | 13,390 | 495,840 | 509,160 |
| 1916 | 23,303 | 19,106,690 | 117,653 | 72,405 | 13,390 | 514,620 | 528,010 |
| 1917 | 21,959 | 17,329,841 | 96,298 | 98,232 | 13,500 | 521,600 | 535,100 |
| 1918 | 19,997 | 13,982,966 | 43,830 | 74,109 | 13,500 | 548,000 | 561,500 |
| 1919 | 21,275 | 18,474,996 | 59,969 | 136,020 | 13,600 | 584,500 | 598,100 |
| 1920 | 21,498 | 21,576,139 | 105,258 | 122,438 | 14,682 | 615,625 | 630,307 |
| 1921 | 24,697 | 24,359,720 | 156,011 | 159,064 | 14,798 | 610,568 | 625,166 |
| 1922 | 24,272 | 26,635,557 | 98,393 | 143,547 | 16,000 | 622,300 | 638,300 |
| 1923 | 25,341 | 32,392,530 | 120,224 | 121,102 | 17,000 | 650,900 | 667,900 |
| 1924 | 30,240 | 35,471,671 | 129,859 | 30,194 | 18,000 | 677,500 | 695,500 |
| 1925 | 20,389 | 29,727,264 | 140,534 | 91,622 | 19,000 | 706,100 | 725,100 |
| 1926 | 15,204 | 26,983,190 | 216,527 | 128,661 | 19,000 | 691,000 | 710,000 |
| 1927 | 27,235 | 33,794,775 | 285,593 | 181,100 | 19,100 | 721,200 | 740,300 |
| 1928 | 28,279 | 34,447,479 | 257,162 | 187,847 | 19,300 | 747,400 | 766,700 |
| 1929 | 29,052 | 36,867,745 | 227,523 | 185,390 | 19,400 | 783,500 | 802,900 |
| 1930 | 28,374 | 37,909,385 | 188,900 | 223,136 | 19,400 | 819,400 | 838,800 |

DOCUMENT NO. 27

**An Act for the Regulation of Chinese Passenger Ships.
18 and 19 Victoria, cap 104. 14th August 1855**

Whereas abuses have occurred in conveying Emigrants from Ports in the Chinese Seas: And whereas it is expedient to prevent such abuses: Be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the Authority of the same, as follows:

I. In the construction of this Act the Term "Chinese Passenger Ship" shall include every Ship carrying from any Port in Hong Kong, and every British Ship carrying from any Port in China or within One hundred Miles of the Coast thereof, more than Twenty Passengers, being natives of Asia; the Word "Colony" shall include all Her Majesty's Possessions abroad not being under the Government of the East India Company; the Word "Governor" shall signify the Person for the Time being lawfully administering the Government of such Colony; the Term "Legislature of Hong Kong" shall signify the Governor and Legislative Council or other Legislative Authority of the same for the Time being; the Word "Ship" shall include all sea-going vessels; the Terms "Master" and "Commander" of any Ship shall include any person for the Time being in command or charge of the same; the Term "Emigration Officer" shall include every Person lawfully acting as Emigration Officer, Immigration Agent or Protector of Emigrants, and every Person

authorised by the Governor of any British Colony to every Person lawfully exercising Consular Authority on behalf of Her Majesty in any Foreign Port.

II. It shall be lawful for the Legislature of Hong Kong, by any Ordinance to be by them enacted for that purpose, to make Regulations respecting Chinese Passenger Ships, and, in the case of British Ships, respecting the Treatment of the Passengers therein while at Sea, and until such enactment, the Regulations contained in Schedule (A) to this Act annexed shall be in force: Provided always, that no such Ordinance shall come into operation until Her Majesty's confirmation of the same shall be proclaimed in Hong Kong by the Governor himself.

III. It shall be lawful for the Governor of Hong Kong to declare, by Proclamation for the Purposes of this Act and of the said Regulations, what shall be deemed to be the duration of the Voyage of any Chinese Passenger Ship, and by such Proclamation to alter the Scales of Dietary, Medicines, and Medical Comforts contained in the aforesaid Schedule (A).

IV. No Chinese Passenger Ship shall clear out or proceed to sea on any voyage of more than Seven Days Duration until the Master thereof shall have received from an Emigration Officer a Copy of the aforesaid Regulations, and a Certificate in the form contained in Schedule (B) to this Act annexed, or in such other form as may be prescribed by the said Legislature, which Copy and Certificate, with any documents to be attached thereto (hereinafter designated as Emigration Papers,) shall be signed by the said Emigration Officer, or until the Master shall, with two sufficient sureties, to be approved by the said Emigration Officer, have entered into a joint and several bond in the sum of one thousand pounds to Her Majesty, Her Heirs and Successors, in the Form contained in Schedule C to this Act annexed, or in such other Form as shall be prescribed by the said Legislature.

V. The said penal Sum of One Thousand Pounds shall be due and recoverable notwithstanding any Penalty or Forfeiture imposed by this Act or by the aforesaid Regulations, and whether such Penalties or Forfeitures shall have been sued for and recovered or not.

VI. It shall be lawful for the Commander of any of Her Majesty's Ships of War, or for any Emigration Officer, Custom House Officer, or British Consul, to enter and search any Chinese Passenger Ship (being a British Vessel or within British Jurisdiction) so long as such Ship shall have any Passengers on Board, and for forty-eight hours afterwards, and in case such Ship shall be engaged on a voyage of more than Seven Days Duration, to require the production of the Emigration Papers of such Ship, and to examine all persons on board of the same, in order to ascertain whether the Provisions of this Act and of the Regulations aforesaid have been complied with; and any Person who refuses to allow,

attempts to avoid, or obstructs any such Entry, Search, or Examination, or who knowingly misleads or deceives any Person lawfully making any such Search or Examination, or who, being the Master of the Ship or having the Emigration Papers in his Custody, fails to produce the same when required as aforesaid, shall be deemed guilty of a Misdemeanor.

VII. In case of any Neglect or Refusal to comply with any of the Provisions of this Act or of any of the Regulations aforesaid, or to perform any Stipulation in any of the Contracts made with the Passengers, the Master of the Ship, and any other Person who may have been guilty of or have aided or abetted such Neglect or Refusal, shall each be deemed for each Offence guilty of a Misdemeanor.

VIII. If any Chinese Passenger Ship clears out or proceeds to sea on any Voyage exceeding Seven Days in Duration without such Emigration Papers as aforesaid, or if the Emigration Papers of any Chinese Passenger Ship are forged or fraudulently altered, such Ship shall, if she is a British Ship, or if, not being a British Ship, the Offence is committed and the Ship is seized in Her Majesty's Dominions or in the Territories of the East India Company, be forfeited to Her Majesty.

IX. Every Person who commits or aids or abets in committing any Act or Default by which any Passenger Ship may become liable to Forfeiture shall be liable to a Penalty not exceeding One hundred Pounds for each Offence.

X. It shall be lawful for any Commissioned Officer on Full Pay in the Military or Naval Service of Her Majesty, or any British Officer of Customs, or any British Consul, to seize and detain any Ship which has become subject to Forfeiture as aforesaid, and bring her for Adjudication before the High Court of Admiralty in England or Ireland, or any Court having Admiralty Jurisdiction in Her Majesty's Dominions or in the Territories of the East India Company, and such Court may thereupon make such Order in the Case as it thinks fit, and may award such Portion of the Proceeds of the Sale of any forfeited Ship as it thinks right to the Officer bringing in the same for Adjudication, or to any Persons damaged by the Act or Default which has rendered the Ship liable to Forfeiture.

XI. No such Officer as aforesaid shall be responsible, either civilly or criminally, to any Person whomsoever, in respect of the Seizure or Detention of any Ship that has been seized or detained by him in pursuance of the Provisions herein contained, notwithstanding that such Ship is not brought in for Adjudication, or, if so brought in, is declared not to be liable to Forfeiture, if it is shown to the Satisfaction of the Judge or Court before whom any Trial relating to such Ship or such Seizure or Detention is held that there are reasonable Grounds for such Seizure or Detention; but if no such Grounds are shown, such Judge or Court may award Payment of Costs and

Damages to any Party aggrieved, and make such other Order in the Premises as he or it thinks just.

XII. It shall be lawful for the Court before which any Ship liable to Forfeiture under this Act is proceeded against to impose such pecuniary Penalty as to the same Court shall seem fit, in lieu of condemning the Ship, and in such Case to cause the Ship to be detained until the Penalty is paid, and to cause any Penalty so imposed to be applied in the same Manner in which the Proceeds of the said Ship, if condemned and sold by Order of the Court, would have been applicable.

XIII. All Misdemeanors and other Criminal Offences punishable under this Act shall be dealt with, tried, and judged of in the same Manner as Misdemeanors and other Offences punishable under the Merchant Shipping Act, 1854, and all the Rules of Law, Practice, or Evidence applicable to the last-mentioned Misdemeanors and Offences shall be applicable to Misdemeanors and other Offences under this Act.

XIV. Any Court, Justice, or Magistrate imposing any penalty under this Act for which no specific Application is herein provided may, if it or he thinks fit, direct the whole or any part thereof to be applied in compensating any Person for any Wrong or Damage which he may have sustained by the Act or Default in respect of which such Penalty is imposed, or in or towards payment of the Expenses of the Proceedings; and subject to such Directions or specific Application as aforesaid, all Penalties recovered in the United Kingdom shall be paid into the Receipt of Her Majesty's Exchequer in such Manner as the Treasury may direct, and shall be carried to and from part of the Consolidated Fund of the United Kingdom; and all Penalties recovered in any British Possession shall be paid over into the Public Treasury of such Possession and form part of the Public Revenue thereof.

XV. [(Written Declarations of Commanders Consuls etc. to be prima facie evidence.)]

XVI. This Act may be cited for any purpose whatever under the Name of the "Chinese Passengers Act, 1855."

XVII. This Act shall come into operation as soon as it shall have been proclaimed in Hong Kong by the Government thereof, or if not so proclaimed, on the First Day of January next ensuing.

SCHEDULE (A)

Regulations respecting Chinese Passenger Ships

Note - The wilful and fraudulent Breach of any of these Regulations by the Person in charge of any Chinese Passenger Ship is punishable by forfeiture of the Ship, and every Person concerned in such Breach is liable to a fine of One Hundred Pounds for each Offence.

I. No Chinese Passenger Ship shall clear out or proceed to Sea on any Voyage of more than Seven Days Duration without a Certificate from an Emigration Officer; and such Certificate shall be in the Form provided by the Chinese Passenger Act, 1855.

II. No Emigration Officer shall be bound to give such a Certificate in respect of any Chinese Passenger Ship till Seven Days after receiving Notice that the Ship is to carry Passengers, and of her Destination, and of her proposed Day of Sailing, nor unless there are on board a Surgeon and Interpreter approved by such Emigration Officer.

III. After receiving such Notice the Emigration Officer shall be at liberty at all Times to enter and inspect the Ship, and the Fittings, Provisions, and Stores therein, and any Person impeding him in such Entry or Inspection, or refusing to allow of the same, shall be liable to a Fine of not more than one hundred pounds for each offence.

IV. The Emigration Officer shall not give his Certificate unless he shall be satisfied:-

(1) That the Ship is seaworthy, and properly manned, equipped, fitted, and ventilated; and has not on board any Cargo likely from its Quality, Quantity, or Mode of Stowage, to prejudice the Health or Safety of the Passengers:

(2) That the Space appropriated to the Passengers in the 'Tween Decks contains at the least Twelve Superficial and Seventy-two Cubical Feet of Space for every Adult on Board; that is to say, for every Passenger above Twelve Years of Age, and for every Two Passengers between the Ages of One Year and Twelve Years:

(3) That a space of Five Superficial Feet per Adult is left clear on the Upper Deck for the Use of the Passengers:

(4) That Provisions, Fuel, and Water have been placed on board, of good Quality, properly packed, and sufficient to supply the Passengers on board during the declared Duration of the intended Voyage, according to the following scale:

Dietary Scale

| | |
|----------------------------------------|-----------------|
| Rice | lbs 1½ per diem |
| Salted Provisions | |
| Wholly Pork; or 2/3 Pork and 1/3 Fish; | |
| or 1/3 Pork, 1/3 Beef, and 1/3 Fish | " ½ do. |
| Salted Vegetable or Pickles | " ½ do. |
| Water, Imperial Quarts | 3 do. |
| Firewood | " 2 do. |
| Tea | ozs 1/3 do. |

(5) That Medicines and Medical Comforts have been placed on board according to the following Scale:

Scale of Medicines and Medical Comforts:

For every 100 Passengers, and in like proportion for any greater or less number.

| | | | |
|---------------------|-----------|-----------------------|------------|
| Calomel | 3 ozs | Extract of Colocynth, | |
| Blue Pill | 2 ozs | compound | 1 oz |
| Rhubarb Powder | 2 ozs | Carbonate of Ammonia | 1½ ozs |
| Compound Jalap | | Assafoetida | 1 oz |
| Powder | 12 ozs | Camphor | 1½ ozs |
| Ipecucuanha Powder | 12 ozs | Camphorated Liniment | 16 ozs |
| Opium | 2 ozs | Catechu | 2 ozs |
| Dover's Powder | 2 ozs | Prepared Chalk | 2 ozs |
| Magnesia | 2 ozs | Tincture of Opium | 8 ozs |
| Epsom Salts | 6 lbs | Turpentine | 16 ozs |
| Chloride of Lime | 20 lbs | Jeremie's Opiate | 2 oz Phial |
| Tartar Emetic | 4 Drams | Aromatic Spirits of | |
| Senna Leaves | 8 ozs | Hartshorn | 4 oz Phial |
| Blistering Plaister | 8 ozs | Cholera Pills in | |
| Sulphur Sublimed | 16 ozs | Phial | 12 Drams |
| Sulphur Ointment | 12 ozs | Cubebs Powder | 4 lbs |
| Linseed Flour | 4 lbs | Sweet Spirits of | |
| Country Soap | 24 ozs | Nitre | 16 ozs |
| Castor Oil | 6 Bottles | Copaiba | 16 ozs |
| Oil of Peppermint | 2 ozs | Sulphate of Copper | 2 ozs |
| Adhesive Plaister, | | Sulphate of Zinc | 1 oz |
| spread | 2 yards | Lunar Caustic | 4 Drams |
| Simple Ointment | 16 ozs | Lime Juice | 36 Quarts |
| Ringworm Ointment | 16 ozs | Rum or | |
| Quinine | 2 ozs | Brandy | 36 Quarts |
| Antimonial Powder | ½ oz | | |

Instruments &c.

| | |
|-----------------------------|-----------------------------|
| 1 Set of Amputating and | 1 Silver Catheter |
| other Surgical Instru- | 1 Spatula |
| ments (if there be on | 1 Dressing Scissors |
| board any Person compe- | 1 Infusion Box |
| tent to use them) | 1 Quire of Country Paper |
| 1 One Ounce Glass Measure | 1 Penknife |
| 1 Minim Glass Measure | 2 Metal Bed Pans |
| 1 Pestle and Mortar | 2 Trusses for Hernia, Right |
| (Wedgwood) | and Left |
| 1 Set of Weights and Scales | 2 Small Syringes |
| (Grains in Box) | 4 Ounces Prepared Lint |
| 1 Set of Common Splints | 2 Pieces Cloth for Bandages |
| 1 Set Bleeding Lancets | |

V. The Master of any Passenger Ship being a British Ship and proceeding on a Voyage of more than Seven Days Duration shall, during the whole of the intended Voyage, make issues of Provisions, Fuel and Water, according to the aforesaid Dietary Scale, and shall not make any alteration, except for the manifest advantage of the Passengers, in respect of the Space allotted to them as aforesaid, or in respect of the Means of Ventilation, and shall not ill-use the Passengers, or require them (except in case of Necessity) to

help in working the Vessel; and shall issue Medicines and Medical Comforts, as shall be requisite, to the best of his Judgment, and shall call at such Ports as may be mentioned in the Emigration Officer's Clearing Certificate for fresh Water and other Necessaries; and shall carry them without unnecessary delay to the Destination to which they have contracted to proceed.

VI. The Emigration Officer shall not give his Certificate until he shall have mustered the Passengers, and have ascertained to the best of his power that they understand whither they are going, and comprehend the Nature of any Contracts of Service which they have made; he shall also take care that a Copy of the Form of such Contracts, or an Abstract of their Substance, signed by himself, is appended to the said Certificate. If any of the Passengers are in bad Health, or insufficiently provided with clothing, or if the Contracts are unfair, or if there is reason to suspect that Fraud or Violence have been practised in their Collection or Embarkation, he may detain the Ship, and, if he shall think fit, may order all or any of the Passengers to be re-landed.

SCHEDULE (B)

Emigration Officer's Certificate &c.

I hereby authorise the Chinese Passenger Ship _____ in
to proceed to Sea for the port of _____
; and I certify that the said Ship can
legally carry _____ Adults, and that there are on board
Passengers, making in all _____ Adults, viz.,
Men, _____ Women, _____ Male Children,
and _____ Female Children, such Children being between the
Ages of One and Twelve Years; that the Space set apart and to be
kept clear for the use of such Emigrants is as follows:- On the
Upper Deck, _____ Superficial Feet, being (here describe the
Space); that the Ship is properly manned and fitted, and that the
means of ventilating the Part of the Between Decks appropriated to
Passengers are as follows, (here describe the means of ventilation);
that the Ship is furnished with a proper Quantity of good Provisions,
Fuel, and Water for _____ Days' Issues to the Passengers accord-
ing to the annexed Dietary Scale, and with a proper Quantity of
Medicines, Instruments, and Medical Comforts according to the
annexed Scale of Medical Necessaries; that I have inspected the
Contracts between the Emigrants and their intended Employers (the
Terms of which are annexed to this Certificate), and consider them
reasonable; that no Fraud appears to have been practised in
collecting the Emigrants; and that there are on board a Surgeon
(and Interpreter) approved by me, and designated (respectively
and) _____ (The Master of the Ship is to put
into _____ and _____ for fresh Water
and Vegetables.

(signed)

Emigration Officer.

Dated this

Day of

18

These Scales must be those prescribed by the Regulations in Schedule A. In case the Ship has been authorized to proceed without an Interpreter omit the Part between the Brackets, and add "and that the Ship has been authorized to proceed without an Interpreter". The Part between the Brackets is to be inserted or not, as may be required.

SCHEDULE (C)

[[Gives the form of the Bond to be entered into by the Masters of Chinese Passenger Ships, as required by Paragraph IV of the Act.]]

PROCLAMATION

By His Excellency Sir John Bowring, Knight, LL.D., Governor and Commander-in-Chief of the Colony of Hong Kong and its dependencies, and Vice-Admiral of the same, Her Majesty's Plenipotentiary, and chief superintendent of trade of the British subjects in China.

Whereas by an Act of the Imperial Parliament of Great Britain and Ireland passed in this the Eighteenth and Nineteenth years of Her Majesty's reign, entitled an Act for the regulation of Chinese passenger ships, under the third clause thereof it is enacted, that "it shall be lawful for the Governor of Hong Kong to declare by proclamation for the purposes of this Act, what shall be deemed to be the duration of the voyage of any Chinese passenger ship:" -

Now therefore I, Sir John Bowring, Governor as aforesaid, by this my proclamation issued for that purpose, do declare that the following shall be the rule of computation by which the length of the voyage of any ship carrying Chinese passengers from Hongkong to the several places hereinafter mentioned shall be computed, for the purposes of the Act above referred to; that is to say:-

Passage from Hongkong to the undermentioned places for ships propelled by sails.

| | In the months October April to to March September (both inclusive) | |
|----------------------------------------------|-----------------------------------------------------------------------------------|---------|
| California or West Coast of America, | | |
| North of the Equator | 100 days | 75 days |
| West Coast of America, South of the Equator | 120 " | 120 " |
| Sandwich Islands | 75 " | 56 " |
| New Caledonia, New Hebrides, Feejee Islands, | | |
| Tahiti, Society or Friendly Islands | 100 " | 100 " |
| Sydney, Melbourne or South Australia | 60 " | 80 " |
| Western Australia | 45 " | 60 " |
| Van Diemen's Land | 65 " | 80 " |
| New Zealand | 75 " | 90 " |
| Manila | 20 " | 20 " |
| Singapore | 20 " | 45 " |
| Batavia | 30 " | 60 " |

| | In the months October April to to March September (both inclusive) | |
|--------------------------------------|-----------------------------------------------------------------------------------|---------|
| Ceylon | 45 days | 70 days |
| Madras or Calcutta | 50 " | 75 " |
| Bombay | 60 " | 80 " |
| Mauritius or Bourbon | 60 " | 80 " |
| Cape of Good Hope | 65 " | 85 " |
| West Indies or East Coast of America | 147 " | 68 " |
| Great Britain or Europe | 162 " | 84 " |
| Siam | 20 " | 45 " |

Given under my hand and seal of the Colony, at the Government Offices, Victoria, Hongkong, this 26th day of January, in the Year of Our Lord One thousand eight hundred and fifty-six, and in the nineteenth year of Her Majesty's reign.

By His Excellency's Command,

(Signed) W. T. MERCER,

Colonial Secretary.

GOD SAVE THE QUEEN

DOCUMENT NO. 28

Extract from a Dispatch from Sir John Pope Hennessy to the Earl of Carnarvon, ordered to be printed by the House of Commons, No. 426, August 1881 relating to the Economic progress of the Chinese

Government House,
Hong Kong,
27th September, 1877

My Lord,

From the last census returns which accompanied the Blue Book for 1876, transmitted in my dispatch of 28th July, it appears that since the former census in 1872, the population of Hong Kong has increased from 121,985 to 139,144. This increase of 17,159 in four years is mainly due to an increase in the Chinese population which now accounts to 130,168.

2. In his Report of 12th February, 1877 the Acting Registrar-General says: "The European and American community is larger by 247, but this is almost solely attributable to the number of Portuguese who have made Hong Kong their residence since the partial destruction of Macao by typhoon and fire in 1874. Nearly every other nationality shows a decrease, especially amongst male adults.

There are now 86 British, 12 German, 12 American and 10 Danish male adult residents less than in 1872".

3. It thus appears that whilst the Chinese and Portuguese are increasing in number, the British, German and American residents are gradually diminishing in number. Nor is this confined to a mere change in the relative proportions of the various nationalities. The British, German and American mercantile firms are as a rule restricting their operations, whilst the Chinese merchants are steadily extending their business. In today's shipping list I see, as consignees of British steamers now loading in Hong Kong Harbour, Mr. Kwok Acheong, and the firms Hop Kee, Fook-Mow-Loong and Kwong-Lee-Yuen. Not long since all the steamers of the Shanghai Steam Navigation Co. were purchased by the "China Merchants Steam Navigation Company" and they are now worked under Chinese management.

4. Advancing up the harbour from the West, one sees warehouses that a few years ago were in the midst of a European district and belonged to British or German houses now in the occupation of the Chinese. Not many months ago, Mr. Lowcock, a member of my Council, and one of the partners in the eminent house of Gibb, Livingston & Co., said that his firm contemplated retiring from business, and selling their spacious godowns to a Chinese merchant.

5. In connection with this commercial progress of the Chinese in Hong Kong, there are some facts that cannot fail to interest your Lordship. In the first place neither the British consumer nor the British manufacturer appears to lose by it. The Chinese merchants allege that they can put Chinese goods on the English market in larger quantity and at lower prices than their English competitors; and they also allege that they can afford to sell British goods cheaper to the natives in Hong Kong and in China than the other traders. However that may be, there is no doubt of the fact that though the number of British, German and American houses in Hong Kong may be diminishing, the value of the general Hong Kong trade to the British consumer and the British manufacturer is increasing.

6. In the second place, while Chinese warehouses, shops and temporary residences are becoming more numerous every year, what are called the family houses of the Chinese are not being built in this Colony. Such houses as Mr. Choa Mah-Soo occupied in Labuan or Mr. Ho Ah Kay Whampoa, and other rich Chinese occupy in Singapore, and which are to be seen in Malacca, Penang and Saigon, are not to be found in Hong Kong.

7. The wealthy Hong Kong Chinaman has a temporary abode close to his stores, but his family house is at Macao or Canton. In another despatch, I will give further particulars on this point, and endeavour to suggest a remedy for what is certainly a serious political evil.

8. I have touched on this subject now in connection with two interesting reports of Mr. Price the Surveyor General, copies of which I enclose for Your Lordship's information. The first is

dated 8th May 1877, and refers to the restriction, imposed by Order in Council on the extension of Chinese premises in Hong Kong. Owing to the desire of Europeans to sell, and of Chinese to purchase, houses and building sites, Mr. Price recommended partial relaxation of the existing rule.

9. Three proposals came before the Surveyor General for the sale of European property to Chinese for shops and dwellings. Two of those proposals by Mr. Chater for converting certain European buildings on Queen's Road Central into Chinese structures, and for building Chinese houses in Duddell St., were recommended for my approval by Mr. Price; but he suggested I should not sanction the sale for Chinese purposes of certain property which Messrs. Douglas Lapraik & Co. desired to dispose of. In other words, he recommended that no permit should be issued for Chinese buildings anywhere above a line running along Upper Wyndham St., Hollywood Road, Aberdeen St., the back of the lots facing Caine Road, Bonham Road and High Street.

10. I approved of his recommendation, though entertaining some doubt as to the policy of not allowing Messrs. Douglas Lapraik & Co., to sell property for Chinese purposes. I am disposed to think the line Mr. Price has now drawn cannot be maintained very long, in justice either to the Chinese who want to buy property or to the Europeans who want to sell it.

11. I also lay before Your Lordship an extract from the minutes of Council of 23rd May, and a copy of a memorandum of the Registrar General, Mr. Cecil C. Smith, in the subject, which was considered by the Council at the same time as Mr. Price's first report.

12. Mr. Price's second report (a copy of which with its enclosure I have the honour to transmit) is dated 20th September 1877, and it shows that the houses proposed to be erected for the Chinese in what was formerly a European district of the town of Victoria are in keeping with the proportions and design of the neighbouring buildings.

13. In sending me the plan (a tracing of which is enclosed for Your Lordship's information), Mr. Price says "The Governor will notice that as regards style, it compares favourably with the best European houses, and that it will in no way detract from the appearance of the neighbourhood".

(Signed) J. POPE HENNESSY,

Governor.

DOCUMENT NO. 29

Extracts from a speech by the Governor, Sir John Pope Hennessy, to the Legislative Council, 3rd January 1881, on the subject of the Census Returns and the Progress of the Colony. Hong Kong Government Gazette, 4th June 1881

The following report, extracted from the Daily Press, is republished for general information.

His Excellency - Gentlemen, you are aware, that, under instructions from Her Majesty's Government, the census was taken in this Colony on the 3rd of April last. The former census was taken at the end of 1876. It was submitted to Sir Arthur Kennedy a few days before he left the Colony for Queensland, and it became my duty to make a brief report upon it. It is unusual, almost unprecedented, for the same Governor to have to make reports upon two successive censuses. A census is generally taken every ten years, but it happens that only four years and four months have elapsed since the last census in this Colony. But apart altogether from what may be unusual in official procedure, I find, looking at the returns I am now about to lay upon the table, that there is something unusual in the important facts they disclose. A comparison of the census of 1881 with the census of December 1876, shows an amount of real progress and substantial prosperity in the short space of four years such, as I believe, can only be equalled in the Australian Colonies, and which is, perhaps, unprecedented in any of the Crown Colonies.

In putting these census returns before you, and in moving, as I shall do at the end of my statement, that they be printed, I desire to give every member of the Council an opportunity of making any remarks he may think fit upon them. They will enable the Council to answer three questions. They will enable you to decide how far the Colony of Hong Kong has really fulfilled the objects for which it was established; they will enable you also to determine whether it is true, what you have all heard said so often (out of Hong Kong, or by unobservant residents in it), namely, that there are no trades and manufactures whatever in this Colony; and these returns will also enable us to decide a question much discussed here now, - whether the recent transactions in land, the important sales and transfers of land, that have taken place of late, are speculative, or whether they are really bona fide the result of healthy commercial progress, and a matter of necessity.

With respect to the latter point, I am placing upon the table a return which has been prepared in the Survey Department in consequence of a minute of mine, in which I directed attention to the publication in the Daily Press of the 11th May, 1881, of a statement of transactions in landed property in Hongkong, and called upon the proper officers to have that return checked and verified. Accordingly that return, which, no doubt, you have all seen was transmitted to the Acting Surveyor-General. He has now furnished

us with an authentic statement of the transactions, from the Land Office books, that have taken place in the transfer and sale of property from the first of January last year to the 11th of May this year. To be brief, I think, on the whole, he corroborates what appeared in the Daily Press, and the summary he gives at the end is to this effect: -- Total value of properties bought by Chinese from foreigners, \$1,710,0366; total value of properties bought by Chinese from the Government, \$17,705; total value of properties bought by foreigners from foreigners, \$216,750; total value of properties bought by foreigners from the Government, \$5,060; total value of properties bought by foreigners from Chinese, \$16,450.

Now, this large item of \$1,710,000 on the transfer of property, almost entirely for commercial purposes, to the Chinese community since January last year, is undoubtedly an event of great importance. Is it speculative, or is it justified by the returns I am now laying on the table? In the first place, what do we learn from the census returns of the Registrar-General? We find that the population has risen from 139,144 in 1876 to 160,402 in 1881, showing in four years and four months, an increase of 21,258, and of this increase the Chinese population account for 20,532. The Registrar-General adds, that the European and American community is larger by 273; that the increase is among the British, Portuguese, Germans and Italians, and is that of women and children; that the male adult population of Europeans and Americans has decreased. This fact is of interest, because, whilst, taking the male adult British subjects, there has been a very slight decrease from 342 to 336, there has been an increase in the number of women and of boys and girls. So, too, with the Portuguese; there is a falling off from 418 adult males in 1876 to 384 at present, but an increase in the women and children. So too, with the Germans; there is a falling off in the adult German population, and in the American population, and in the French population, but in each case there is an increase in the number of women and children. This fact, I say, is of interest, because the tropical Colony where European children flourish cannot be very unhealthy. The vitality of a foreign child is a delicate test of climate, and I believe we can point to this particular item in the census returns as affording some indication that Hongkong is growing more healthy - (Hear, hear). And now, proceeding to the question of the 20,000 additional Chinese, we have to consider this: -- Has the increase in the various mercantile occupations of the Chinese been such as to justify the remarkable transfer of landed property I have referred to? The census returns furnish us with an opportunity of testing how far in the harbour of Victoria itself the means we have of commercial movement -- that is, the transference of goods from steamer to steamer, from steamer to shore, and vice versa, how far that has been facilitated since the year 1876. From the returns, I find that that movement is conducted by steam launches, cargo boats, and sampans. The steam launches have increased from 8 in 1876 to 37 in 1881, the cargo boats from 494 to 656, and the sampans from 1,357 to 2,088. So far for the machinery that we have in our harbour for conducting the commercial movement of the Colony; it has substantially increased. The returns I am laying before you are identical in form with the

returns prepared in the time of Sir ARTHUR KENNEDY, and probably his predecessors, and amongst these returns there is one which answers the question I have been asking, and that is a return of the occupations of the Chinese adult male inhabitants of the Colony. On analysing that return, I find that the following are the changes that have taken place since the last census with respect to Chinese merchants and other Chinese directly concerned in the trade and commerce of the Colony.

The Chinese Trading honghs, -- that is, the Nam-pak honghs and other wealthy merchants who now send the manufactures of England into China, -- have increased from 215 to 395. Chinese traders have increased from 287 to 2,377; Chinese brokers, from 142 to 455. Taking the Chinese engaged in dealing in money; -- the Shroffs have increased from 40 to 208; the Teachers of shroffing have increased from 9 to 14; the Bullion dealers, who do not appear in any former census, are now returned at 34; the Money Changers, 111 in 1876, still remain at 111, but in 1876 there were no Chinese Bankers returned, and now we have in this census 55 Chinese Bankers. The piece-goods dealers have increased from 78 in 1876 to 109, and cotton and yarn dealers from 38 to 58. This is of interest, not merely to Manchester, Bradford or Leeds: these Chinese merchants of Hongkong are now facilitating an Indian trade with China, healthier, and with a safer future, than the trade in that drug which a few years ago was the only considerable commercial link between British India and China. Since 1877, the quantity of Bombay yarn received in Hongkong has steadily risen from 21,000 bales to 61,000. The increase in the value of this trade from \$1,706,913 in 1877 to \$5,251,246 in 1880, has been coincident with an increase in our imports of raw cotton from Bengal and Rangoon from 33,000 bales in 1877 to 86,000 in 1880. Our opium trade shows no such tendency to increase. In 1880, we imported 87,747 chests, as against 88,428 in 1877. Mr. F. D. Sassoon tells me that the value of our total trade with India last year was \$67,772,937, the value of the opium being \$58,248,235. Though the trade in other goods than opium is but one-sixth of the total Indian trade, yet it is so rapidly developing, that I look forward with confidence to the time when it will outstrip, and, perhaps, enable the Indian Government to curtail, the trade in opium. Tea merchants have increased from 26 to 51, rice dealers from 95 to 128, coal dealers from 16 to 20, firearms dealers from 15 to 20, timber dealers from 15 to 107, drapers from 101 to 156, and foreign goods dealers from 167 to 191. Compradores have increased from 77 to 95, ship compradores from 67 to 113, and ship charterers from 7 to 41. Looking to the increase I have pointed out in the ordinary machinery for commercial movement in the harbour, to this remarkable increase of the mercantile community, and to the well-known magnitude of the mercantile transactions of our Chinese merchants, it seems clear that this large expenditure, since January 1880, of \$1,710,000 by Chinese for commercial property was a necessary expenditure.

There is another question that we may fairly ask. It has often been said, and there is hardly a directory or guide to Hongkong in which you do not see it recorded, that Hongkong has no

local manufactures whatever. Is that true? Well, on turning to the census returns, I find many local Chinese manufactures in this Colony. Bamboo workers have increased from 93 in 1876 to 121 in 1881; Boat builders, from 48 to 110; Carvers, from 59 to 70; Cigar makers, from 21 to 31; Engineers from 10 to 121, and Gold beaters from 41 to 60. Glass manufacturers appear for the first time; there are now 16 in the Colony, and I believe at this moment the glass manufactory to the west of the town is capable of turning out such glass as some of the European storekeepers here are themselves prepared to sell; and when a service of glass may get injured, they can now send to our local glass manufactory and get tumblers to replace those broken in the set. I find image makers have increased from 10 to 15, lantern makers from 50 to 63, leather box makers from 39 to 53, lemonade and soda-water makers from 28 to 30. Watch manufacturers did not appear in the former census; they now number 13. Oar makers have increased from 30 to 43. Opium dealers have declined from 108 to 103, but that is not coincident with any decline in the revenue the Government of Hongkong derives from the monopoly of prepared opium, which was \$132,000 in 1877, but was sold in 1879 for \$205,000 a year. Paper box makers have declined from 21 to 10, and rattan workers from 596 to 448. Rice-pounders have increased from 954 to 1,083. Of rifle makers we have five in the Colony. Sail and rope makers have increased from 100 to 141, and sandal-wood dealers and workers, from 74 to 76. Workers in sapanwood have declined from 96 to 20, and though there is apparently a decline in the number of sauce manufacturers from 49 to 41, there has been an increase in the quantity of sauce manufactured. I may mention, that a short time before the late Mr. KWOK ACHEONG died, I went with him and two or three other Chinese gentlemen interested in the factory at Yau-ma-ti, to examine the factory, which was in a more or less rude state, the buildings not being then completed. I was glad to see what they were doing. In addition to making soy, they made ketchup for the European market, and they had also a manufactory for preserving fruits. Now, the ketchup is sent in hundreds of barrels every year direct to a well-known house in London, -- that well-known storeman whose good things most of us have, from time to time, enjoyed. He sends out thousands of little bottles of Hongkong ketchup to Chinese as well as to European storekeepers here, so that, in short, the ketchup we consume as English ketchup is manufactured by Chinese in Hongkong, sent to England, and this famous manufacturer and storekeeper in England returns it to us for retail. I am bound to add, that the latest advices are that the peculiar article which is produced by the Chinese manufacturer at Yau-ma-ti was regarded at the recent sales in London as the best in the market, and our little local manufactory is very successful. I find immediately following this we come to the soap manufacturers; they do not appear in the last census, and they are now only 7 in number. There also appears, for the first time, one spectacle-maker. We have Chinese sugar refiners; they have declined from 25 to 15, and tanners from 7 to 1. Tobacco manufacturers have increased from 44 to 96. Tooth-powder makers appear also for the first time; they number 57. Umbrella-makers have increased from 97 to 169, vermilion manufacturers and dealers from 111 to 123, and Weavers, who appear for the

first time in our census, number 6. It is, therefore, clear that we have in this Colony numerous local manufactures which have every prospect of extending.

But apart from the question of such manufactures, there are in this Colony, as you all know, various industries employing Chinese artisans. Carpenters have increased from 2,510 to 2,923, blacksmiths from 690 to 708, pewter-smiths from 60 to 173, tinsmiths from 88 to 172, and braziers from 488 to 864. Masons show a falling off from 845 to 542. Rice-pounders have increased from 954 to 1,083, and in stone-cutters there is a large increase, -- from 449 to 1,439. The number of tailors now in the Colony, who work with sewing machines mostly, amounts to 1,857. It is an interesting fact, that for these tailors drill is imported into the Colony from England; they make it up with their sewing machines, and the made clothes are then exported to New Zealand and Australia. In that way Chinese cheap labour, even without leaving the atmosphere of China, is, to a certain extent, successfully competing with Australian and English manufacturers of clothes.

There are certain special occupations of the Chinese which are worth noting, as they indicate the prosperity of the natives. We have the birds' nest sellers, who have increased from 12 to 35, the sharks' fins dealers, from 9 to 15, beancurd sellers, from 93 to 107, jadestone dealers, from 8 to 18; but cinnamon dealers have fallen from 8 to 7. Sessamum oil dealers appear for the first time, and number 3, and ginseng dealers also appear for the first time and are 4 in number. Joss-paper sellers have increased from 30 to 47, joss-house keepers, from 17 to 41, and chair coolies, from 859 to 980.

In addition to those who are concerned in our commerce and trades, there is a certain amount of professional life amongst the Chinese, as shown by the census returns. We had in 1876, 198 Chinese doctors; now we have 333.

. . .

I also had the opportunity of consulting the Chinese on another proposal. There came to me a resolution from the Chamber of Commerce, in which the Chamber proposed that the Government should adopt a system of registering all the sleeping partners in Chinese houses of business. They showed that it was exceedingly difficult to find out who had money in a Chinese trading concern, and recommended that the natives should be compelled by law, and under adequate penalties, to register every person who had a share, no matter how small, in a Chinese business. The Chamber of Commerce added that they had no desire to apply this system to the European houses, but wished it to be confined solely to the Chinese. Acting on my usual principle, I mentioned it to some of the leading Chinese bankers and others, but they pointed out that the Chinese system of trading would be completely upset by it -- that there is an extraordinary net-work of investments in this Colony, as in any other community of Chinese, and that it would interfere seriously with Chinese trade, and, in fact, tend to prevent the influx of

Chinese into the Colony. Accordingly, I declined to accede to the proposal of the Chamber of Commerce.

Well, gentlemen, it is upon such questions as these that I have been able to give to the Chinese community positive assurances to the effect that I would make no distinction between them and the other British subjects in the Colony. The mere fact of doing that which was, after all, but a negative exercise of the functions of the Government has gained for the Government the confidence of the Chinese community, and they have come to the Colony for the last three years in large numbers. They are settling here, buying property, and what they are doing is, no doubt, of great interest to us all.

I must say it is of interest to me as the Queen's Representative, not merely because I see Her Majesty's Chinese subjects prosperous, but because what is going on in Hongkong tends to render prosperous men of our own race from England, Ireland, and Scotland in this Colony. I rejoice, also, to see that this prosperity is shared in by the Armenians, the Parsees, and other subjects of the Empress of India; as well as by the Portuguese, the Americans, the Frenchmen, the Germans, and the other foreigners who here enjoy the commercial advantages of an Anglo-Chinese Colony and the protection of the British flag.

My honourable friend the Attorney General has seen the West Indian Islands. He and I have seen Englishmen full of enterprise and ability there, but we have seen, too, many of them bankrupt planters, broken-down merchants. Why? Because the native community they had to work with was not like the community of this Colony. Here you find a community industrious and temperate, with a natural aptitude for commerce. But it is not merely Chinese who are making money. The Europeans are making money also. And as we watch the transfer of business houses in this Colony, and see the Chinese trader coming closer, day by day, to the manufacturer of England, it is a deeply interesting fact to note, that, with the growing prosperity of the place, there arises a demand for British enterprise, for enterprise that the Chinese mind, with its unrivalled trading instincts and natural commercial skill, cannot at present supply. I refer to our local Companies founded by Europeans. Is there any one here who can say that in any other Colony there are public Companies more prosperous than the public Companies of Hongkong? Take them all in all, the public Companies founded by the enterprise and ability of our European merchants in this Colony, and at this moment eminently prosperous, -- our Dock Company, Sugar Companies, River Steamer Companies, Insurance Companies, our Gas Company and our local European Bank. What Eastern Company is more flourishing than the Hongkong and Shanghai Bank? Well, the success that has attended these Companies arises, no doubt, in the first instance from the enterprise of those who originated them, but we must not forget the fact that they are worked in the midst of a Chinese community, and it is impossible to separate the prosperity of our fellow countrymen from the prosperity of the natives of the Colony.

There is one other consideration which I may venture on this occasion to point out to you. It is this, -- that of all the colonies in Her Majesty's Empire, this is, perhaps, the most interesting in what may be called the foreign policy that is forced on the Government. We are close to an extra-ordinary Empire. This little Colony has with the Empire of China the most intimate commercial relations. What should be the duty of this Colony to the Chinese? Apart from the general principle of doing justice to all, I have to look to the interests of England and the instructions of Her Majesty on this subject, and there is no doubt, the interests of England are gravely involved in having this Colony maintain friendly relations with China. The Chinese have at the moment, and have had for many years, a great deal of internal content. And what is the consequence? Throughout China now, there is a development of industrial resources and a production of wealth which cannot fail to benefit the British manufacturer and British shipowner. China is an essentially progressive nation, -- cautious and slow, but, I say, eminently progressive. It is not progressive in certain respects, no doubt; for instance, not in that way one sees sometimes depicted in Punch where children assume to lecture their parents, and where the rising generation expresses contempt for grey hairs. That is a species of progress we do not see in China. His Honour on my right will also, perhaps, have noticed in some of the commercial cases before him, that there are some practices sanctioned by our bankruptcy law in which one would be sorry to see China making progress in the case in which the term is sometimes used in Western nations and the United States. I was much struck the other day on reading some evidence printed by order of the Congress of the United States with respect to the Chinese who had gone from Hongkong to San Francisco. There I find the evidence of the Chairman of the Chamber of Commerce, a gentleman apparently of large business transactions. He speaks of having transactions amounting to millions of dollars with the Chinese. But what he says is, in effect, this, -- "I find I can have these business transactions with the Chinese in San Francisco with perfect safety. I take no bond or security from them. Large sums of money and goods to a considerable amount pass. If "it were a countryman of my own or any other foreigner, I would have to adopt a different system." In short, he says, -- "I attribute the commercial prosperity of the Chinese in San Francisco to their great commercial probity." Another leading American merchant of San Francisco, in his evidence, say, -- "The Chinese pay their debts ten times more promptly than our white men; they are clear-headed, "shrewd, intelligent, and capable of managing business on a large scale; this is especially true of the "hong merchants of Hongkong".

Those commercial qualities make China a safe progressive country, and make it the duty and interest of a trading Colony like this, and a commercial Empire like England, to be at peace with China. I would push this principle of peace to the extent of not worrying them with advice. They will understand, in course of time, that there is something to be learned, especially in physical science, from Western nations. But, above all, we should avoid, either in dealing with the Queen's subjects in this Colony, or in our relations with the Empire near us, any attempt to force on the

Chinese institutions which are unsuited to them, and some of which we, in course of time, may, perhaps, discover are unsuited to ourselves. Those are the principles by which I have endeavoured to guide my four years' administration of this Colony, and now, in submitting to you these returns, which correspond with the period of that administration, I can only express the hope, and I do it with every confidence, that, when the next census is taken, all classes in this Colony will be as prosperous as they are today.

The motion that the papers be printed was passed.

DOCUMENT NO. 30

Extracts from a Report on the Condition and Prospects of Hong Kong by His Excellency Sir G. William Des Voeux, Governor, &c.

Sir G. William Des Voeux to the Right Honourable Lord Knutsford, Secretary of State for the Colonies. (also presented to the Hong Kong Legislative Council. Hong Kong Sessional Papers for 1889.)

Government House,
Hong Kong,
31st October, 1889

My Lord,

...

SHIPPING

40. With regard to the tonnage statistics contained in the Colonial Secretary's Report, it may be noted that the aggregate tonnage of vessels entering the Port of Victoria during 1888 -- 6,400,410 tons -- shows a slightly falling off from the returns for 1887 -- 6,401,837 tons. In view (1) of the diminished export of tea from China in consequence of the competition of India and Ceylon; and (2) of the serious checks given to Chinese Emigration in the United States and the Australian Colonies, with the contraction of trade thereby occasioned, -- it might have been expected that the shipping returns would have been much more seriously affected. But though, probably as the result of these causes, the tonnage of European vessels fell from 4,607,914 to 4,536,442 tons it will be seen that that of junks rose from 1,793,923 to 1,863,968 tons, so that the decrease of trade in one direction was almost entirely compensated by increase in another. It should be noted that the shipping returns of this Colony are very far from merely indicating the entry of steamers for the purpose of coal-supply, as is probably the case with the greater portion of the large tonnage returned by some of the Mediterranean Ports. For Hongkong is the terminus not only of the whole of the junk trade (in 1888 1,863,968 tons) and of nearly all of the European and

American sailing ships entering, but also of many lines of Ocean steamers including 3 trading to America, 2 to Australia, 1 to Calcutta, 2 to Europe (the Austrian Lloyds and Florio Rubattino) and others to Manila, Borneo, Siam, and the Coast Ports of China; while of the steam-ships of the other great lines, the P. & O., the Messageries Maritimes, the German Lloyds, the "Ocean", "Glen", "Shire", and "Ben" Lines which proceed onwards to Shanghai or Japan, there are very few which do not leave here on the outward voyage, and take in on the homeward, a considerable portion of their cargo.

VARIOUS STATISTICS

51. The following statistics furnished to me by Mr. WODEHOUSE, Acting Treasurer, may prove of interest:-

30th September, 1879. 30th September, 1889.

| | | |
|------------------------------------------------------------------------------------|-------------|--------------|
| Total amount of Deposits Current and Fixed in the European Banks in Hongkong | \$7,068,600 | \$23,882,000 |
| Ditto (Estimated) in Chinese Banks | ... | 15,000,000 |
| Total amount in the Savings Bank | ... | 211,000 |
| Notes in Circulation with bullion in reserve of all Banks | 4,776,856 | 9,100,826 |
| Market value of all registered Companies in Hongkong | 39,380,000 | 63,921,700 |

...

69. Another of the leading features of the most recent history of the Colony is the number of joint-stock enterprises undertaken almost entirely with local capital -- to which, it may be noted, Chinese have, for the first time, begun to make considerable subscriptions in common with Europeans. Since the beginning of 1888, 35* Companies have been formed, with capital already paid-up aggregating \$9,508,475, for land investment, manufacture, and trade in Hongkong and for mining and planting enterprises in the Malay Peninsula, Borneo, and Tongking. So strong has been the tendency towards joint-stock investment that the shares of most of the Companies have been insufficient in number for the demand; and it may be mentioned as showing the amount of capital available for the purpose that within two months of this year the sum of \$4,890,000 was paid into the Hongkong and Shanghai Bank in connection with the shares of one Company.**

* There are 10 other Companies registered in Hongkong of which I have been unable to ascertain the paid-up Capital, making a total of 45.

** The Hongkong Land Investment Company, Limited. Capital \$5,000,000 of which \$2,500,000 has been paid-up together with \$1,250,000 premium on the 2nd issue. The sum of \$1,140,000 paid for shares not allotted was returned to the applicants.

70. As far as is known all, or nearly all, of these Companies, especially those whose field of operations is in Hongkong, have good, some of them excellent, prospects of success. There can moreover be little doubt that land in Hongkong will eventually be even more valuable than now. But it remains to be seen whether property in either land or shares is at present worth the high price to which it has been advanced by speculative purchase. It may indeed be taken as certain that in very few instances can the profits within the next year or two afford a fair interest on present outlay; and hence probably arise the signs of reaction which are now beginning to show themselves. If this depression of values should continue, it would no doubt cause much distress among those who have been speculating beyond their means; but any general injury is not at all likely to be other than temporary; and in a Colony having so many solid elements of prosperity it may be taken as certain that, in the absence of calamity, the wound will be very quickly healed.

71. Though the absence of any Custom House and of any returns* of Imports and Exports, precludes any certain estimate of the amount of trade, it may be gathered from the above remarks in connection with "Shipping" that the enormous commerce of the Colony is in a condition of healthy progress. We may have not yet felt the full effects of the restrictive measures against Chinese in the United States and Australia, and of the decline in the Chinese Tea Trade; but there is good reason to think that any contraction from these causes is being rapidly compensated in other directions. But while commerce pure and simple, is, and must be for a long time to come, the principal element of our prosperity; it is, I think, from manufacture that may be hoped the greatest progress of Hongkong in the future. We can readily have abundant and cheap supplies of raw materials; and there is available, to a practically unlimited extent, the cheap labour of China; while we have also, what is absent there, the advantage of general confidence that enterprise will not be unnecessarily hampered and mulcted of its legitimate reward. Already we have seen established in the last few years sugar refineries which are doing an exceedingly large and apparently prosperous** business; we have moreover ship and boat building yards, rope works, ice works (now doing a large export trade) and some 30 minor industries enumerated in the Blue Book. But considerable as is the aggregate of manufacture already, it is in all probability inappreciable by comparison with what it would shortly become if there were to be any important reduction of the price of coal, which as being almost exclusively obtained from distant countries is at present very costly (\$8 to \$16 per ton); and such

* There are at present strong objections on the part both of Europeans and Chinese to any provision for such returns, partly because they would involve a certain restriction upon the complete freedom of trade, and partly on other grounds, arising from our vicinity to China.

** The Shares of the China Sugar Company which own one of these refineries, not the largest, are now quoted in the market at 130 per cent. premium.

a reduction may, I think, be regarded as only a question of time. Enormous and as yet completely undeveloped coal deposits are known to exist in China and other neighbouring countries; and there is abundant evidence that the progressive party among the Chinese are beginning to awaken to the advantage of utilising their mineral wealth. Indeed unless all of the various movements, there and elsewhere, for the production of coal in the neighbourhood, should prove abortive, it may be expected that the only element needed for rapid progress in manufacturing enterprise will in no long time be supplied.

72. To render more complete the information derived from the above account of events and observations on statistics, and in order to enable a fuller appreciation of the condition and progress of the Colony, it may be well to give, however imperfectly, some idea of its outward appearance from a contrast of the present with the past.

73. There must be some still living who saw the island before the British occupation. If one of them, having been absent during the whole interval, were now to return, even the extremely salient and beautiful features of the natural landscape would scarcely enable him to identify with the Hongkong of today what he would remember as a bare rock, with a fisherman's hut here and there as the only sign of habitation, and a great sea-basin only very rarely disturbed by a passing keel.

74. For now he would see a city of closely built houses stretching for some four miles along the island shore, and rising, tier over tier, up the slopes of the mountain, -- those on the upper levels interspersed with abundant foliage -- ; while on the opposite peninsula of Kowloon, which was (until very recently) an uninhabited waste of undulating red rock, he would now see -- in the distance prevalent verdure; -- in the foreground and along the whole sea board numerous houses together with docks,* great ware-houses and other evidence of a large and thriving population. Again, the silent and deserted basin has become a harbour so covered with shipping,** that even if he has been round the whole world, he could never before have seen so much in a single coup d'oeil. At anchor or moving are some 40 to 50 Ocean steamers, including ships of war; large European and American sailing vessels, and hundreds of sea-going junks; while in the space intervening and around are

* There are several docks -- one of them a dry dock constructed entirely of granite which can take in, the largest vessels now afloat in the world, except perhaps the two recently built for the White Star Line. In the Kowloon warehouses of the Hongkong and Kowloon Wharf and Godown Company, all in immediate contiguity and for the most part under one roof, may be seen at any time merchandise worth over half a million sterling.

** The tonnage return of Hongkong shows it to be the 3rd port of the British Empire, and therefore (with the possible exception of New York, of which I have no statistics) the 3rd in the world. The aggregate burthen of shipping is greater than that of all the British possessions on the Continent of America, or than that of the four leading Colonies of Australia.

many thousand boats, for the most part human habitations, with steam-launches* rushing in all directions.

75. Going ashore our visitor would see long lines of quays and wharves, large warehouses teeming with merchandise, shops stocked with all the luxuries as well as the needs of two civilisations; in the European quarter a fine Town Hall, stately Banks, and other large buildings of stone; in the Chinese quarters houses, constructed after a pattern peculiar to China, of almost equally solid materials, but packed so closely together and thronged so densely as to be in this respect probably without parallel in the world;** and finally he would see streets stretching for miles abounding with carriages (drawn for the most part not by animals but by men), and teeming with a busy population, in the centre of the Town chiefly European, but towards the West and East almost exclusively Chinese.

78. Hongkong has indeed changed its aspect; and when it is remembered that all this has been effected in Her Majesty's reign, and indeed during a space of less than fifty years, on ground in immediate contact with the most populous Empire in the world, by a comparatively infinitesimal number of an entirely alien race separated from their homes by nearly the whole earth, and, unlike their countrymen in Australia and Canada, living in an enervating and trying climate; and when it is further remembered that the Chinese, whose labour and enterprise under British auspices have largely assisted in this development, have been under no compulsion, but have come here as free men, attracted by liberal institutions, equitable treatment, and the justice of our rule; when all this is taken into account, it may be doubted whether the evidences of material and moral achievement, presented as it were in a focus, make anywhere a more forcible appeal to eye and imagination, and whether any other spot on the earth is thus more likely to excite, or much more fully justifies pride in the name of Englishman.

I have the honour to be, My Lord,
Your Lordship's most obedient,
humble Servant,

(Signed), G. WILLIAM DES VOEUX.

* Apart from those belonging to British and Foreign War Ships, there are 98 Steam-launches in the Harbour.

** It is believed that over 100,000 people live within a certain district of the City of Victoria not exceeding $\frac{1}{2}$ square mile in area. It is known that 1,600 people live in the space of a single acre.

DOCUMENT NO. 31

HONGKONG

Extracts from the Report on the Junk Trade for 1891
Laid before the Legislative Council by command of His
Excellency the Governor, on the 22nd February, 1892.
Hong Kong Sessional Papers 1892

No. 20

Harbour Department,
Hongkong,
11th January, 1892

Sir,

In continuation of former correspondence, I have the honour to furnish herewith statistics of the Junk trade.

2. These remarks and statistics are not included in the "Annual Report" in which being a document usually for publication it might be considered inexpedient that they should appear.

3. The favourable geographical position of this Colony renders it a great distributing centre; the large trade focussing here reaches its terminal markets partly in coasting steamers and partly in junks. Of the 2,753 European constructed vessels visiting the port in 1890, fifteen hundred and twenty-eight or considerably more than half and this half nearly double the size in tonnage, ship for ship, of the other moiety, were vessels visiting the port twelve times or less, i.e., craft bringing trade acting as feeders to the Colony not as distributing agents that necessary part being performed by the remaining 1,235 smaller vessels plying to the port more than 12 times in the year. In the same year 23,343 junks in foreign trade with a total tonnage of 1,786,038 (or roughly speaking half the figures shown in paragraph 3 of the Annual Report those quoted there being the total in and out) assisted in the distribution of trade from this centre, taking the totals of the Report of $9\frac{1}{2}$ millions tons about two-thirds or $6\frac{1}{2}$ millions were the feeders and one-third or $3\frac{1}{4}$ millions the distributors assisted by $3\frac{1}{2}$ million tons of junks. The European vessels being for the most part steamers of course carried by far the largest portion of the trade. The Year 1890 was a bad one for the rice trade as was also 1891 and in the first named the number of small European steamers competing with junks became very marked and has not decreased.

4. In the year 1890, eight thousand two hundred and nineteen European constructed vessels with a total of 9,771,741 tons passed through the port giving employment to 46,686 junks aggregating 3,572,079 tons in foreign trade and 9,082 junks making up 332,473 tons in local trade, i.e., the ports of the island.

5. In 1891, the corresponding numbers are European vessels 8,707 measuring 10,279,043 tons or an increase of 488 ships with 507,302 tons and junks in foreign trade 45,403 with a total tonnage

of 3,263,118 tons or a decrease in numbers of 1,283 junks representing 308,961 tons at the same time [Table I] the junks in local trade run up to 11,930 equivalent to 463,537 tons or an increase over the previous year numbering 2,848 junks aggregating 131,064 tons. It is not credible that the increase of the local traffic satisfactorily accounts for the increased volume of trade and the decrease of the foreign junk trade.

6. Attention is now invited to a comparative statement for the past five years of Licensed Junk and Licensed Fishing Junk; the numbers and the revenues derived from the junk trade are as follows:-

| Year | Total Junks licensed | Total Licence Fees \$ | Special Permit Fees \$ | Total Revenue for Licensed Junks \$ | Total Junk Revenue |
|------|----------------------------|--------------------------------|---------------------------------|----------------------------------------------------|--------------------------|
| 1887 | 2,424 | 8,198 | 619.75 | 8,817.75 | 19,997.75 |
| 1888 | 2,570 | 8,018 | 604.75 | 8,622.75 | 19,761.25 |
| 1889 | 2,692 | 7,785 | 569.25 | 8,354.25 | 19,402.00 |
| 1890 | 2,977 | 9,387 | 569.00 | 9,956.00 | 22,397.75 |
| 1891 | 3,332 | 10,091 | 730.25 | 10,821.25 | 22,602.50 |

7. Special Permits are the monthly renewals of licences exempting the holders from reporting on each separate occasion of arriving taken out by licensed junks when in the waters of the Colony. Fishing junks under 100 piculs are further allowed to take these licences every six months only. The average for the three years 1887-1889 inclusive, it will be seen, is licensed vessels 2,562, the revenue derived directly therefrom in licences \$8,000.25 and in permits \$597.75, a total of \$8,598 out of a grand total of \$19,720.

8. For the average of three years 1887 to 1889 inclusive and the years 1890 and 1891 the proportions are therefore as follows:-

| | Licensed Junks | Revenue for Do. | Total Junk Revenue |
|---------|-------------------|-----------------------|--------------------------|
| '87-'89 | 2,562 | 8,598 | 19,720 |
| '90 | 2,977 | 9,956 | 22,397.75 |
| '91 | 3,332 | 10,821.25 | 22,602.50 |

9. The proportion of revenue derived from unlicensed junks, therefore, it will be seen, by no means increases pro rata as that from licensed junks, taking the years, 1890 and 1891 as examples the tonnage returns also bear this out. It may be said as more junks are licensed there are fewer unlicensed ones to take out

Anchorage Passes, Clearances, &c., but comparison of the years of 1889 and 1890 disposes of that theory.

10. In 1890, 285 more vessels were licensed than in 1889, the revenue increased \$3,000, and the foreign junk trade rose 154,748 tons, and the local 49,103 directly, no doubt, due to an increase in European tonnage of 799,751 tons.

11. In 1891, with an increase of half a million tons, 355 more junks were licensed with a gain to the Treasury of \$204.75, a decrease in the foreign junk trade of three hundred thousand tons and an increase in the local junk trade of 130,000 or a net loss of 170,000 tons, to say nothing of the money thereby put out of circulation.

12. That there was no loss to the carrying trade, of course, is patent rather a gain to steamers, but hitherto gain to both ships and junks has gone on side by side with profit to the Colonial Treasury from both; consolidating the earnings of one or other means proportionate loss to the revenue.

13. In the years under review the conditions have been the same; a steady increase in Ocean borne traffic, bad rice trade (taking the years through), and increasing competition from small steam vessels, but under ordinary circumstances the increase of the great source of supply the Ocean trade was sufficient to preserve the equilibrium. In the 3rd quarter of 1891, indeed as is shown in letter No. 529 dated 15th October, not alone was the rice trade good, but a fictitious impetus had been given to the junk trade by the quarrels of the Chinese Custom Houses, native and foreign.

...

17. The only controllable causes of the depression of the junk trade are the suppression of the system of espionage established by the Chinese Customs in Hongkong, and the preservation of the neutrality of British waters.

I have the honour to be, Sir,
Your obedient Servant,

W. C. H. HASTINGS,

Acting Harbour Master, &c.

Honourable W. M. GOODMAN,
Acting Colonial Secretary,
&c., &c., &c.

TABLE I

COMPARATIVE SHIPPING RETURNS FOR 1890 AND 1891

| | 1890 | | 1891 | | Increase | | Decrease | |
|------------------------------|--------|-----------|--------|------------|----------|---------|----------|---------|
| | Ships | Tonnage | Ships | Tonnage | Ships | Tonnage | Ships | Tonnage |
| European constructed vessels | 8,219 | 9,771,741 | 8,707 | 10,279,043 | 488 | 507,302 | ... | ... |
| Junks in foreign trade | 46,686 | 3,572,079 | 45,403 | 3,263,118 | ... | ... | 1,283 | 308,961 |
| Junks in local trade | 9,082 | 332,473 | 11,930 | 463,537 | 2,848 | 131,064 | ... | ... |

DOCUMENT NO. 32

(a) Extracts from the Harbour Master's Annual Report for 1868 from the Hongkong Government Gazette, 20th March, 1869

Harbour Master's Department,
Victoria, Hongkong,
25th February, 1869

Sir,

I have the honour to enclose the undermentioned Annual Returns of the Shipping and other matters concerned with the Marine Department of this Colony, for the year 1868.

...

SHIPPING

2. The Returns for the year under this head will enable the Government to arrive at a better conclusion as to the increase or decrease of the trade of Hongkong than has hitherto been the case. The Registry of trade in European bottoms is still kept separated from that in Chinese craft, each being under different legislation. But in the ordinary Board of Trade Returns, Nos. I - VI inclusive, the Native trade is exhibited under the common term "Foreign".

...

5. The Foreign Arrivals show a large excess, but is entirely due to the increased activity of the junk trade (treated separately) the foreign trade having diminished by 215 vessels and 73,576 tons.

...

7. It is evident from these comparisons that, although there is an increase of 29 British ships and 17,477 tons of cargoes from

Great Britain, trade under the British flag would appear on the whole to have diminished.

8. There is a point worthy of consideration and which so long as Hongkong remains a Free Port will always obtain, that is, the inability of this Department, as at present constituted, to arrive at the quantity, quality and value of Imports and Exports. An increase to the Harbor staff would enable me to collect this information, but as such a course would materially interfere with the now absolute freedom of the trade of the Colony, I hesitate to suggest the adoption of any measures tending to such a result. But in consequence of this want, the Government can never be in a position to know the actual trade of the place, for vessels arriving, although only partially laden, are entered as "with cargoes" in contradistinction to those in ballast only.

JUNK TRADE

9. In my last report I was enabled to point out the probable success of the addition of the "Harbor and Coasts Ordinance" to the laws of the Colony. In the year under review it is convincingly shown that what in 1867 was but an interesting experiment is now a great reality.

10. The increase of Arrivals in 1868 on 1867 amounts to 4,670 vessels and 142,996 tons. This is a result which the warmest supporters of the novel measure could scarcely have anticipated. I always felt that Chinese traders would soon perceive the real object and bent of examining and registering all native craft visiting the Port and that directly they saw it clearly, all ill grounded fears would vanish and they would carry on their business with greater confidence than ever.

11. During the year the Government has reduced the fees collected from junks. Firstly, by classifying all trading and fishing vessels, and secondly, by reducing the fees on Anchorage Passes to one half their previous amount. This measure which is attended by serious loss to the Revenue, has had a good effect on the trading and fishing population.

12. In my Report of the 1st September last, on the Junk Trade, I remarked on the decrease of the local or home trade of the Colony, that is, in vessels plying between the outstations and villages of Kowloon and Victoria. The same decrease is now perceptible, but there are so many means of transport in small sampans, of which this Department can take no account, that the diminution is more apparent than real.

13. During the last year the Chinese Government established Customs' Stations in the near vicinity of the Colony, the existence of which, it was thought, would tend to check the native of this place, but this does not as yet appear to be the case. Occasional complaints have been made that vessels were improperly boarded and their owners subjected to illegal exactions, but it is most likely, that these robberies were committed by persons who, under pretence

of being Revenue Officers, took the opportunity of levying squeezes on junks as they passed from the protection of Colonial waters to their destination.

14. In May last an Ordinance (No. 2 of 1868) was passed enabling His Excellency in Council to frame orders for the gradual disarming of all native vessels. A commencement was made on the fishing craft which had been represented to this Government as being the fruitful source of Piracy. Stinkpots being weapons more of offence, than of defence, no vessel was to be permitted to carry them. Through the medium of this Department the provisions of the Ordinance were being stringently adhered to, and fishing vessels were deprived of their arms, but it was soon observed that many of the more important of those vessels deserted the Colony and on the matter being enquired into, it was found that this Government alone was acting up to the spirit and intention of the understanding come to on this subject with the Canton Authorities. The Order in Council was consequently repealed and the fishing trade has again resumed its former briskness.

15. The work of this branch of the Department has materially increased during the year, there having been 40,122 documents issued in 1868 as against 36,713 documents issued in 1867.

16. It is satisfactory to notice the decrease of Piracy. A North German barque was attacked near Ho1 Nam and 14 attacks on junks have been reported during the year as against 29 reported in 1867.

17. The schooner Victoria and the launch Blanche will, when completed, greatly augment the efficiency of this Department. The junk has been useful and in her much valuable service has been rendered, but from her inferior sailing qualities, the uncertainty as to the time of reaching the place of destination and eventual return to the harbor is so great that the outstations have not been visited as frequently as they should be. It is essential to the proper performance of the Police duties of the Colony that such vessels as those in progress should be at all times, if not actually cruising, at least ready for the performance of any duties which may devolve on them. At present the Government is compelled, even in most trivial instances, to call on the Navy for assistance and although this is always most willingly accorded, it must occasionally happen that there is not a Gunboat available for the service required.

18. The Colony will henceforth be freed from this disadvantage and will be able to act at all times in its jurisdiction whenever circumstances shall render it necessary.

EMIGRATION

19. 4,421 more Chinese have left Hongkong during the year under review than appeared to have left in 1867. This is partially caused by a large number of laborers being required for the construction of railways in the United States, and also from the check

which has been placed on vessels hence to Bangkok. These vessels do not now carry Chinese indiscriminately, but clear in the usual way. Formerly they cleared with 20 passengers and afterwards took in others when beyond the harbor limits.

20. But one vessel carrying 252 hired emigrants to Surinam was dispatched during the year. This was owing to the cheapness of rice, &c. The planters in Dutch Guiana are extremely desirous to obtain this class of labor and spare no pains or money to encourage Chinese to embrace their offers. A free passage back at the end of their five years' service is now offered or should be emigrant desire to remain, he receives a bonus of \$60 and a piece of ground.

21. It has been prominently brought to the notice of this Government by the Government of Victoria that the Dayspring, an English vessel of 393 tons which left here for Melbourne in May last with 99 Chinese passengers, had arrived at the latter place having disease of a scorbutic nature on board, from which a number of the passengers had died. This vessel left here after the usual examination of the ship, provisions, and medical comforts which such vessels invariably undergo, by a Government Marine Surveyor, Medical Inspector of Emigrants and myself. In addition to her passengers she had a cargo consisting almost entirely of edibles. She appears to have been 22 days longer on the passage than is calculated for at that time of the year and consequently provisions and water ran short. But the Master had access to the hold where he might have obtained the former and for the latter he could have replenished at any island that he neared, but he appears to have shewn himself most reckless as to the requirements of his passengers and proceeded on his voyage despite the advice of a European passenger who was on board. Want of proper food, which appears to have deteriorated from the length of the voyage, the deficiency of water, undue attention to cleanliness and the absence of healthy exercise, all conduced to nurture the disease. The Authorities at Melbourne dealt with the Master for a breach of the Chinese Passengers' Act.

22. An Italian vessel has lately arrived at this Port from Havana on board which a disease of a similar character manifested itself, but attended with much more serious consequences. The Consul held a lengthy investigation into the case, when it was shewn that no blame attached itself to the Master, Officers, or Crew.

...

I have the honor to, Sir,
Your most obedient Servant,

H. G. THOMSETT, R.N.

Harbor Master.

To the Honorable J. Gardiner Austin,
Colonial Secretary.

(b) Extracts from the Harbour Department Annual Report
for 1888. Hongkong Sessional Papers 1889.

Harbour Department,
Hong Kong,
8th March, 1889

Sir,

I have the honour to forward the following Annual Returns for
this Department for the year ending 31st December, 1888.

...

SHIPPING

2. The total trade of Hong Kong for the year 1888 is represented by 63,967 vessels measuring 12,996,396 tons. (This is an advance of 174 vessels and 357,702 tons on the average for the previous 3 years, and is 359 vessels more, but 28,939 tons less than in 1887.)

3. This vast amount of trade is apportioned as follows:-

| | No. | tons | per cent |
|------------------------|--------|------------|-------------|
| British | 5,121 | 6,474,343 | 49 |
| Foreign | 2,460 | 2,532,334 | 19 |
| Junks in Foreign Trade | 47,567 | 3,703,707 | 29 |
| Total | 55,148 | 12,710,384 | |
| Junks in Local Trade | 8,819 | 286,012 | 2 |
| Total | 63,967 | 12,996,396 | |

4. Compared with 1887 there has been a decrease of British tonnage amounting to 342,705 tons; and an increase of Foreign tonnage, exclusive of Junks, of 179,848 tons; also an increase of Junks, exclusive of local trade, of 143,781 tons, and a decrease of Junks employed in local trade of 9,863 tons.

5. The countries with which the decrease of British tonnage is most apparent are:-

| | |
|----------------------------------|--------------|
| Coast of China and Formosa | 190,977 tons |
| Cochin-China | 123,894 " |
| Continent of Europe | 104,201 " |
| Australia | 22,178 " |

6. The Principal increase appears with the following countries:-

| | |
|------------------------|-------------|
| British Columbia | 22,173 tons |
| Great Britain | 121,066 " |
| Japan | 40,918 " |

7. The principal decrease, that with Coast of China and Formosa, may be partly accounted for by the fact that, during the year several steamers trading on the Coast, which were formerly under the British flag, were transferred to the German flag. The decrease under the heading of Continent in Europe is partly consequent on this trade being carried more in Foreign bottoms. But it is most largely due to an alteration in the system of classification adopted in this Report. In former Reports, the vessels of the Peninsular and Oriental Company calling at Brindisi and Marseilles en route were classed under the heading of "Continent of Europe", while now they are classed under "Great Britain". With Australia, the decrease must be put down to the altered circumstances of trade consequent on the suppression of Chinese Emigration to the Australian Colonies.

8. During the year, 3,660 steamers arrived, being a daily average of over 10,7 of which were "Ocean going". They represented a total tonnage of 4,416,000, over 68 per cent. of them were under the British flag.

9. The statistics show an increase in the Junk trade over last year, with the Coast of China and Formosa of 103,497 tons, and with Macao of 40,284 tons. There is a decrease however of 9,863 tons in the local trade.

10. On the 31st December there were 91 steam-launches in the Harbour, of these, 41 were licensed for the conveyance of passengers, 42 were privately owned, and 8 were the property of the Colonial Government. There were, in addition, 6 launches, the property of the War Department.

EMIGRATION

11. During the year 1888, 96,195 Emigrants left Hongkong, of these, 72,744 (65,976 males, 5,109 females, and 1,659 children) were for the Straits Settlements; 18,275 (18,119 males, 95 females, and 61 children) were for San Francisco; 1,972 (1,942 males, 3 females, and 27 children) were for the Australian Colonies. Owing to the restrictions placed on Chinese Emigration by the various Governments in the Australian Colonies, Emigration there has been practically stopped since the month of May, 1888.

12. The subject of abuses connected with Chinese Emigration has lately received much attention. That abuses do exist there can, I think, be little doubt, but I question much if they exist to the extent which some suppose. Frequent cases of so-called "kidnapping" are reported, but, except in the case of women or children, my impression is that in a large number of these reported cases, the so-called "kidnapped" coolie is a rogue, who, having agreed to emigrate and received a "bounty" for so doing, either escapes from the vessel as she is leaving the harbour, or gets some of his friends to report that he has been taken away against his will in the hopes that he may be taken out of the ship before leaving, or traced and sent back from the port for which he has sailed, in either case, if he is successful, he will be ready to try his game

on again sooner or later. The jumping overboard of "kidnapped" coolies from outward bound Chinese passenger ships, of which a good deal heard a short time ago is one of the symptoms of abuses in which I do not believe. It is a curious fact that few if any of these individuals are ever heard of after jumping overboard, though they are seen to be picked up by boats which appear to be waiting for them. It is more than probable, I think, that in nearly all these cases, could they be clearly traced, it would be found that this "kidnapped one" was really either a "Bounty Jumper" or else a thief who had got on board surreptitiously and remained as long as he could, with a view of seeing what there was to be picked up, and who, having done all he could in the time at his disposal, cleared out by jumping overboard at a suitable spot where his friends would be waiting to pick him up in a boat.

13. Cases of forged contract passage tickets have come under my notice, also cases of Emigrants going on board after the medical inspection by the Health Officer and the issue of the Emigration Officer's Certificate. During the past year, on one occasion under the latter circumstances I detained the vessel until the number on board corresponded with the number passed by the Health Officer and certified to by me. A claim was made for compensation for this detention, but it was not persisted in. As one precaution against fraud, every ticket is now numbered as the owner passes before the Health Officer and Emigration Officer's Deputy on board. A further proposed precaution is to have the tickets printed on specially prepared paper in order that forgeries may be readily recognized, but no means adopted by the Government will prove wholly effectual, unless we have the active co-operation of the Agents or Charterers and the Master of the vessel towards the prevention of abuses.

14. The present system of the Emigrants going on board at any time after their passing at the Harbour Office and before the sailing of the vessel, and while the vessel is lying in the Roads, in a great measure open to the public, -- since the officers and crew are so fully employed in their other duties as to make it impracticable for them to attend to coolies coming and going -- is conducive to abuses, and I think that the best remedy would be found in the establishment of a Government Emigration Wharf alongside which vessels would take on board their Emigrants at the last moment before sailing, the wharf being closed to the public after the Health Officer and Emigration Officer had passed through the gates to go on board for the final inspection of the Emigrants, and the vessel leaving immediately after this inspection. This method would doubtless cause some little delay in getting the vessel off, and for that reason is open to objection, I think however that the evil would be more than compensated for by the good which would accrue.

IMPORTS AND EXPORTS (OPIUM) OFFICE

25. This is the first complete year of the establishment of this Branch, and I have to report that it is working satisfactorily. Monthly statistics are rendered, it will therefore not be necessary

to go into details here, a table is added to this report which shows that the total amount of opium reported through the office during the year was as follows:-

| | | | |
|----------------|----------------------|-----------------|--------|
| Imported | 71,512 | $\frac{27}{40}$ | chests |
| Exported | 71,139 $\frac{1}{2}$ | $\frac{27}{40}$ | " |

(Exclusive of through cargo.)

The fraction $\frac{27}{40}$ is explained by the fact that one "broached" chest was landed here containing 27 instead of 40 balls, and was exported in the same condition, 21,310 permits were issued from the office being 384 Landing, 10,958 Removal, 9,498 Export, and 470 to Chinese Customs hulk.

26. In addition to these, a Memo: of Exports for the day is sent for the convenience of the Chinese Customs' Commissioner to the Kowloon Customs' Office.

27. From the summary of Exports it appears that apart from the through cargo, Shanghai took from the Colony 37 per cent., viz., 26,673 chests, Canton came next with 16 per cent., and then Amoy and Swatow.

I have the honour to be, Sir,
Your most obedient Servant,

R. MURRAY RUMSEY, R.N.,

Harbour Master, &c.

The Honourable FREDERICK STEWART, LL.D.,
Colonial Secretary,
&c., &c., &c.

(c) Extracts from the Harbour Department Annual Report
for 1898. Hong Kong Sessional Papers 1899

Harbour Department,
Hongkong,
22nd February, 1899

Sir,

I have the honour to forward the Annual Report for the Department for the year ending December 31st 1898.

SHIPPING

3. A comparison between the years 1897-1898 is shown in the following Table:-

Comparative Shipping Return for the Years 1897 and 1898.

| | 1897 | | 1898 | | INCREASE | | DECREASE | |
|----------------------------|---------|------------|---------|------------|----------|-----------|----------|---------|
| | Ships | Tonnage | Ships | Tonnage | Ships | Tonnage | Ships | Tonnage |
| British | 6,783 | 8,268,766 | 7,456 | 8,705,648 | 673 | 436,882 | ... | ... |
| Foreign | 3,161 | 3,855,833 | 3,602 | 4,547,085 | 441 | 681,252 | ... | ... |
| Junks in Foreign Trade | 57,803* | 3,441,295* | 58,936† | 3,626,754† | 1,131 | 185,459 | ... | ... |
| Total Junks in Local Trade | 67,747 | 15,565,894 | 69,994 | 16,879,487 | 2,247 | 1,313,593 | ... | ... |
| | 9,546 | 372,280 | 9,635 | 386,293 | 89 | 14,013 | ... | ... |
| Grand Total | 77,293 | 15,938,174 | 79,629 | 17,265,780 | 2,336 | 1,327,606 | ... | ... |
| NETT | | | | | 2,336 | 1,327,606 | ... | ... |

* Including 18,968 Conservancy and Dust Boats measuring 401,274 tons.

† Including 18,700 Conservancy and Dust Boats measuring 409,840 tons.

TRADE

7. The year 1898 was marked by a large deal in rice and coal and by the introduction of the trade in Bulk Oil from Langkat (Sumatra).

A demand for rice in Japan created a market which was largely availed of, and the returns for the first half of the year show that 469,000 tons were reported by ships entering, which was over 100,000 tons more than during the whole of 1897, and of which the bulk was en route for Japan. The import continued in a lessened degree during the second half and at the end of the year 747,000 tons had been reported, being more than double what it was in 1897.

Coal in the first half year showed an increase of 120,000 tons and by the end of the year 817,967 tons had been reported as arriving, being an increase over 1897 of about 36%.

Bulk oil, which made a large stride in the first half year, fell off in the second half, but the year shows an increase of 19,580 tons. Case oil was practically the same as in 1897. Sugar and flour show a considerable increase, and the Import Return closes with a nett increase over 1897 of 645,428 tons of cargo reported.

In exports, a nett increase of 552,072 tons of European-constructed shipping reported an increase of 137,979 tons of cargo.

The transit return gives an increase of 167,860 tons.

There can be no necessity for me to again refer to the fact that we are entirely dependent for the above figures on gratuitous information compiled together without any special staff or machinery.

8. Using the classification adopted in previous years we find that the total import trade of 1898 was represented by 35,005 vessels aggregating 8,453,983 tons, carrying 5,958,465 tons of cargo, of which 3,938,143 tons were discharged in Hongkong.

Similarly, the export trade of 1898 was represented by 34,989 vessels, aggregating 8,425,504 tons, carrying 3,006,474 tons of cargo, and shipping 493,651 tons of bunker Coal.

Comparing the above with 1897 we get the gratifying result that in 1898 the Import trade of the Colony was increased from all parts of the world, and that this increase amounted in the aggregate to 659,833 tons of cargo discharged. Further, we find that, during the same period and by the same means, others were benefited also, for the cargo in transit was advanced by 167,860 tons.

9. During the year 11,058 vessels of European construction, aggregating 13,252,733 registered tons, carried 8,143,656 tons of cargo made up as follows:-

| | |
|---------------------------|-----------|
| Import cargo | 3,388,489 |
| Export " | 2,241,194 |
| Transit " | 2,020,322 |
| Bunker Coal shipped | 493,651 |
| | <hr/> |
| | 8,143,656 |

The total number of tons carried was therefore 61% of the total registered tonnage, or 80% exclusive of River steamers, and was apportioned as follows:-

Imports --

| | |
|---------------------|------------------|
| British Ships | 1,939,956 |
| Foreign do. | <u>1,448,533</u> |
| | 3,388,489 |

Exports --

| | |
|---------------------|------------------|
| British Ships | 1,196,521 |
| Foreign do. | <u>1,044,673</u> |
| | 2,241,194 |

Transit --

| | |
|---------------------|----------------|
| British Ships | 1,189,460 |
| Foreign do. | <u>830,862</u> |
| | 2,020,322 |

Bunker Coal --

| | |
|---------------------|----------------|
| British Ships | 280,473 |
| Foreign do. | <u>213,178</u> |
| | 493,651 |

| | |
|-------------|-------------------------|
| Total | <u><u>8,143,656</u></u> |
|-------------|-------------------------|

IMPORTS

EUROPEAN-CONSTRUCTED VESSELS

| | 1897 | | 1898 | | Increase | | Decrease | |
|-----------------|-----------|-----------|-----------|-----------|----------|---------|----------|---------|
| | No. | Tonnage | No. | Tonnage | No. | Tonnage | No. | Tonnage |
| Steamers | 3,071 | 4,262,283 | 3,338 | 4,750,148 | 267 | 487,865 | ... | ... |
| River Steamers | 1,547 | 1,694,077 | 1,975 | 1,768,489 | 428 | 74,412 | ... | ... |
| Sailing Vessels | 356 | 107,280 | 226 | 121,065 | ... | 13,785 | 130 | ... |
| Total | 4,974 | 6,063,640 | 5,339 | 6,639,702 | 695 | 576,062 | 130 | ... |
| Nett | | | | | 565 | 576,062 | ... | ... |
| Imported tons | 2,743,061 | | 3,388,489 | | | | | |

As follows:-

| Articles | 1897 | 1898 | Increase | Decrease |
|------------------------|-----------|-----------|----------|----------|
| Beans | ... | 11,092 | 11,092 | ... |
| Bones | ... | 500 | 500 | ... |
| Coal | 601,544 | 817,967 | 216,423 | ... |
| Cotton Yarn and Cotton | 30,581 | 36,611 | 6,030 | ... |
| Flour | 85,904 | 103,544 | 17,640 | ... |
| Hemp | 43,360 | 55,160 | 11,800 | ... |
| Kerosine (bulk) | 47,782 | 67,362 | 19,580 | ... |
| Do. (case) | 60,346 | 59,115 | ... | 1,231 |
| Lead | 5,496 | 4,200 | ... | 1,296 |
| Liquid Fuel | ... | 2,150 | 2,150 | ... |
| Opium | 2,531 | 2,638 | 107 | ... |
| Pitch | 1,700 | ... | ... | 1,700 |
| Rattan | 2,920 | 6,441 | 3,521 | ... |
| Rice | 361,130 | 747,395 | 386,265 | ... |
| Sandalwood | 3,459 | 2,055 | ... | 1,404 |
| Sulphur | 2,040 | 535 | ... | 1,505 |
| Sugar | 211,777 | 267,422 | 55,645 | ... |
| Tea | 5,929 | 6,554 | 625 | ... |
| Timber | 64,862 | 46,599 | ... | 18,263 |
| General | 1,211,700 | 1,151,149 | ... | 60,551 |
| Total | 2,743,061 | 3,388,489 | 731,378 | 85,950 |
| Transit | 1,852,462 | 2,020,322 | 167,860 | ... |
| Grand Total | 4,595,523 | 5,408,811 | 899,238 | ... |
| Nett | | | 813,288 | ... |

EXPORTS

| | 1897 | | 1898 | | Increase | | Decrease | |
|-----------------|-----------|-----------|-----------|-----------|----------|---------|----------|---------|
| | No. | Tonnage | No. | Tonnage | No. | Tonnage | No. | Tonnage |
| Steamers | 3,067 | 4,263,453 | 3,319 | 4,728,952 | 252 | 465,499 | ... | ... |
| River Steamers | 1,548 | 1,690,644 | 1,970 | 1,765,555 | 422 | 74,911 | ... | ... |
| Sailing Vessels | 355 | 106,862 | 230 | 118,524 | ... | 11,662 | 125 | ... |
| Total | 4,970 | 6,060,959 | 5,519 | 6,613,031 | 674 | 552,072 | 125 | ... |
| Nett | | | | | 549 | 552,072 | ... | ... |
| Exported tons | 2,103,215 | | 2,241,194 | | | | | |

| | 1897 | | 1898 | | Increase | | Decrease | |
|----------------|-------|-------------|-------|-------------|----------|-------------|----------|-------------|
| | Strs. | Bunker Coal | Strs. | Bunker Coal | Strs. | Bunker Coal | Strs. | Bunker Coal |
| Steamers | 3,067 | 422,257 | 3,319 | 467,729 | 252 | 45,472 | ... | ... |
| River Steamers | 1,548 | 23,742 | 1,970 | 25,922 | 422 | 2,180 | ... | ... |
| Total | 4,615 | 445,999 | 5,289 | 493,651 | 674 | 47,652 | ... | ... |
| Nett | | | | | 674 | 47,652 | ... | ... |

RIVER TRADE

Imports, Exports and Passengers

| Year | Imports | Exports | Passengers |
|------|---------|---------|------------|
| 1897 | 146,603 | 90,544 | 988,046 |
| 1898 | 164,769 | 131,127 | 1,144,639 |

JUNKS

Imports

| | | |
|----------------|------------------|----------------------|
| Foreign trade, | 29,466 measuring | 1,814,281 tons |
| Local trade, | 4,810 | " 194,291 " |
| Total | <u>34,276</u> | <u>" 2,008,572 "</u> |

Imported 689,251 tons as under:-

| | |
|------------------------|------------------|
| Tea | 2,338 tons |
| Oil | 1,468 " |
| Rice | 4,595 " |
| Earth and Stones | 134,658 " |
| General | 546,192 " |
| Total | <u>689,251 "</u> |

Exports

| | | |
|----------------|------------------|----------------------|
| Foreign trade, | 29,470 measuring | 1,812,473 tons |
| Local trade, | 4,825 | " 192,002 " |
| Total | <u>34,295</u> | <u>" 2,004,475 "</u> |

Exported 774,069 tons as under:-

| | |
|----------------------|------------------|
| Kerosine | 23,931 tons |
| Rice and Paddy | 284,747 " |
| General | 465,391 " |
| Total | <u>774,069 "</u> |

10. A review of the junk trade of the Colony may not be without interest at the present time.

In the early day of the Colony's history Piracy in its neighbourhood was more or less common; in his Annual Report for 1865 the Harbour Master says "There can be little doubt but that every armed junk becomes a pirate when an opportunity offers", and in 1868, after the introduction of the "Harbour and Coast" Ordinance, he says "Formerly there was good reason to suppose that piratical vessels were fitted out in this harbour, Free Trade amongst junks had become Free Licence and these piratical pests of our waters had unmolested ungress and egress at all hours of the night and day".

Ordinance No. 6 of 1866 -- "The Harbour and Coast Ordinance", -- which came into force on 1st January 1867, made provision for the regulation and control of junks; most of its provisions have been

re-enacted from time to time since, and the regulations now in force are for all practical purposes the same as in 1867 and are briefly as follows:-

Junks are divided into two classes:-

- (1) Unlicensed Junks and
- (2) Licensed Junks.

These classes are again divided into:-

- (1) Trading Junks and
- (2) Fishing Junks.

Unlicensed Junks

Unlicensed Junks are required:-

- (1) To anchor in certain places called "Anchorage for Junks" and from which they may not remove without permission.
- (2) To report their arrival.
- (3) To give notice of intended departure.
- (4) Not to leave at night.

Licensed Junks

Any junks, on complying with certain conditions as to giving security, &c. may be granted a license by the Harbour Master, either for trading or fishing, for which a fee is paid, the maximum being \$20 a year.

She then obtains the following advantages:-

- (1) No restriction as to place of anchoring.
- (2) On payment of a fee of 25 cents she is granted a Special Permit, good for one month, absolving her from reporting each arrival and intended departure.
- (3) If a Fishing Junk, she is granted a permit, on payment of a fee of 25 cents, allowing her to leave during certain hours of the night and early morning.

In 1867, 20,787 Trading Junks of 1,367,702 tons entered, and 20,443 of 1,353,700 tons cleared. In addition 1,444 Fishing Junks were licensed during the year and the greater number of these came in or left daily during the winter months.

In 1898, 29,466 Junks of 1,814,281 tons entered and 29,470 of 1,812,473 tons cleared, also 5,379 Fishing Junks were licensed.

In 1868, Customs Stations were established in the vicinity of the Colony by the Viceroy of Canton, primarily for the collection of Opium "Lekin" and Opium "duty", but this soon became extended, and a levy of lekin and duty on all imports and exports was made at these stations (see Sir JAMES RUSSELL'S report 1886), and in 1869

the Harbour Master reported "I think the decrease in tonnage in Junks can reasonably be attributed to the existence of these Stations (Customs) and to the activity of the cruisers attached to them".

In 1874 a Commission, which had been appointed to enquire into "complaints made against the action of the Chinese Maritime Customs in the neighbourhood of the Colony and the alleged detriment to trade arising from such action", submitted their report. They found in the course of their investigation "that a most vexatious system of blockading is kept up at all the entrances to the harbour by a number of boats in the employ of the Hoppo of Canton, the salt farmer, and the collector of the lekin tax, and that these craft continually make use of and encroach into the waters of the Colony and actually capture junks therein".

The proceedings of these blockaders, which were gravest in character were the stopping of junks, proceeding on distant voyages with cargoes of lawful merchandise laden in the Colony, and compelling them to go to Canton and pay duty on their cargo -- a practice which was carried on extensively; and further, the seizure of junks bound to the Colony from ports in Formosa and elsewhere and the taking of these to Canton to be mulcted in heavy sums, or possibly to be condemned and sold.

The Commission advised that, Her Majesty's Government should endeavour "to prevail on the Government of China to remove altogether the Customs Stations and Cruisers from the neighbourhood of the island, and to arrange that duties be collected only at those ports or places at which there exists an export or import trade, and that should the Chinese Government refuse to remove the Stations and cruisers altogether, it might be urged upon them to remove these to a greater distance than they are at present, say, not nearer in any case than ten miles from the entrances to the harbour".

Whatever may have been the cause, it appears that after 1875 the junk trade, as represented by the Harbour Master's returns, began to improve, and in his report for 1877 the Harbour Master said "It was the general opinion, and I shared in that view, that the blockade would have a tendency to check the trade and consequently prosperity of the Colony, but in the face of the figures which these returns exhibit, I am unable any longer to see that the effect of the blockade has been so detrimental as it was thought it would be". The figures referred to shewed in 1878 an increase over 1877 of 1,186 junks entering, and the Harbour Master attributed some of this increase to more correct records being kept, in consequence of an additional outstation at Yaumatl. However, there were still complaints of the seizure of native craft carrying so-called "contraband".

From 1877 to 1887 the junk trade, according to the Harbour Master's Reports, fluctuated between 1,600,000 and 1,800,000 tons entered yearly. The highest figures ever attained previously being 28,340 junks of 1,871,810 tons entered in 1872.

In 1887 as a result of the Commission which sat in pursuance of the Chefoo Agreement (1876), and the additional Article to the Agreement (1885) the collection of duties on goods imported and exported in junks, devolved upon the Foreign Collectorate of the Chinese Maritime Customs, and the Customs Stations round Hongkong were placed under the direction and supervision of a European Commissioner (Mr. F. A. MORGAN).

It cannot, I think, be denied that, even since this change was just made, causes of complaint have at times arisen, and I am persuaded that causes of complaint will continue to arise if the Customs officers are vigilant and zealous, the difference from the old state of things being that, vigilance and zeal will be the disturbing causes, instead of rapacity and dishonesty. The only real panacea is the removal of the primary cause, viz., the Customs Stations themselves.

A careful consideration of all points of the question which occur to me draws me to the conclusion that, inconvenient though it is, and contrary to the usual manner of nations, we have up to the present no right to object to these Stations; I do not think we have any legitimate grievance against the Chinese Government because it endeavours to prevent junks trading to Chinese Ports with what it declares to be contraband, or to smuggle dutiable goods, no matter where the cargoes have been obtained, always provided that this does not lead to a violation of our territorial waters and that vessels and goods to and from Hongkong are not subjected to any other charges beyond what has been fixed by Treaty.

At the same time I consider that we allow our hospitality to err, even to indiscretion, and we put a weapon in their hands to be used against us, when we allow a Chinese Customs establishment in our midst, for there can be little doubt that by this means our prestige suffers in the eyes of the natives, and what perhaps is of more practical importance, an intimate knowledge can be obtained in the Colony of trading transactions, which, perfectly lawful and harmless so far as our Free Port is concerned, may in China be subject to those Rules appended to the Tariff, which restrict the import of certain descriptions of goods except under special conditions.

But whatever may be said of the present practice of closely investing our port with Customs Stations on all sides and in its midst, it must be allowed that, with the exception of the latter, all these Stations are in Chinese territory, and their closeness may be excused on the ground of the geographical position of the base of operations of those whose business theirs is to watch. The small island of Hongkong with its 50,000 or 60,000 junks annually coming and going, over five-sixths of which trade to and from the Sun On and West River and Canton Districts and all of which radiate to all points of the compass within an hour or two of leaving this Free Port, offers some reason for the Chinese Government pressing home its revenue protectors as close as they can. That reason disappears, however, with the extension of British territory, and the protector's line should fall back simultaneously

with this extension, and China should protect her revenue in the same way as any other country does, namely, at her ports of entry and clearance instead of reversing the practice of civilization and protecting it at the Foreign Ports to which she exports and from which she imports.

How far the existence of these Customs Stations has interfered with our junk trade in the past is problematical, and the only solution to be arrived at is by inference, since all direct proof is wanting. There can be no question as to China's undoubted right to collect her Customs revenue somewhere, in her own territory or waters, and it is impossible to say that our junk trade would have been larger if she had collected her Customs duties at the ports of origin and destination of the goods, instead of at intermediate stations close on our border.

In 1884 our junk tonnage was 49% of the European tonnage, in 1897 it was only 28% and, if certain Licensed Junks which are engaged by the Conservancy and Dust Contractors and which have only taken into our returns during the last few years, were omitted, the decrease would be even more marked.

On the other hand, our returns show an increase of European ocean-going tonnage since 1889 of 25.33% while the Customs returns show an increase in the number of junks trading to and from Hongkong and passing the stations, of 30.37%, and it is very probable that the Customs returns are far more accurate with regard to junks than our own, the circumstances of a Free Port, added to the difficulty of distinguishing and identifying native craft, together with the well-known proficiency with which Chinese lie without hesitation, renders the task of keeping an absolutely correct return of some 50,000 or 60,000 junks annually almost impossible with a staff of two Junk Inspectors in Victoria and no one at the outstations whose sole duty it is, and I am forced to the conclusion that a number of these junks come and go without leaving any trace on our records. In 1897 as in 1877 more correct returns would in all probability account for a further apparent increase in the junk trade, but this correctness cannot be arrived at without additional staff and expenditure.

In 1893, this Department began to try to gauge the amount of cargo tons represented by the registered tonnage of the Shipping frequenting the Port. There is no special staff or machinery for this and its correctness or otherwise depends on reports and returns made direct from the Shipping or through its Agents.

In 1893 the amount of cargo discharged from European ocean-going shipping was given as 2,717,910 tons. In that year Junks exported 845,177 tons. In 1897 the European cargo was 2,596,458 and Junks exported 684,320. Assuming for the moment that the cargo exported by junks was entirely made up of that discharged from the ocean-going European ships, these junks distributed 31% in 1893, and 26.3% in 1897, showing no great decrease, particularly as owing to the decreased importation of rice, 1897 was a bad year for junks.

But the Customs returns furnish a still better fact from which to draw our inference, namely the value of the trade in junks between Hongkong and China. In 1888 this was Hk. Tls. 33,495,526, in 1893 it was 39,938,740, and in 1897 it was 39,991,611 giving an increase of 19% in the 10 years to put against an increase of 25% in the register tonnage of European ocean-going shipping during the same period.

| Year | Ocean-going European Tonnage | Value of Junk trade - Hongkong and China | | | Total |
|------|------------------------------|------------------------------------------|----------------|---------------------|------------|
| | | Imports from Hongkong | | Exports to Hongkong | |
| | | Foreign Goods Hk. Tls. | Native Produce | Native Produce | |
| 1888 | 6,973,483 | 15,636,853 | 3,476,200 | 14,328,473 | 33,441,526 |
| 1889 | 6,016,908 | 12,894,763 | 3,711,707 | 14,194,598 | 30,801,068 |
| 1890 | 6,392,575 | 17,960,229 | 3,453,432 | 14,840,669 | 36,254,330 |
| 1891 | 6,081,407 | 13,297,933 | 3,376,619 | 17,016,926 | 33,691,478 |
| 1892 | 6,968,236 | 13,468,368 | 3,113,192 | 17,290,632 | 33,872,192 |
| 1893 | 7,320,753 | 17,663,217 | 3,338,377 | 18,937,126 | 39,938,720 |
| 1894 | 7,193,855 | 15,326,749 | 3,438,540 | 19,665,908 | 38,431,197 |
| 1895 | 8,211,496 | 21,585,595 | 3,455,730 | 22,678,090 | 47,719,415 |
| 1896 | 8,971,432 | 21,124,268 | 3,482,122 | 22,565,590 | 47,171,980 |
| 1897 | 8,739,878 | 13,027,228 | 3,939,890 | 23,024,493 | 39,991,611 |

Still another test that can be applied is this. In 1893 (the first year that we collected the cargo returns) European tonnage discharged 2,717,910 tons of cargo and the value of the foreign goods exported from Hongkong to China by junk, according to the Customs return, was Hk. Tls. 17,663,217 or in the ratio of 1 ton to 6.4 Hk. Tls., in 1896 the ratio had risen to 1 ton to 8 Hk. Tls., but it dropped in 1897 1 ton to 5 Hk. Tls., owing, in the opinion of the Commissioner of Customs, to transit privileges favouring at that time shipments in European bottoms instead of in junks.

Whether or not there should be a fixed ratio between total European tonnage and the total junk tonnage frequenting the port, is, I think, very doubtful, because, in the first place, junks are not the sole distributors, except to non-treaty Ports with which it is probable trade does not expand rapidly, and, in the next place, the European tonnage is not solely employed in the carriage of goods to be distributed from Hongkong as a centre, for a not inconsiderable portion of the cargoes is in transit to more distant ports.

In 1893 the cargo discharged in Hongkong from ocean-going ships amounted to 74% of the registered tonnage arriving, and the transit cargo was 36%, in 1897 the cargo discharged was only 59% while the transit cargo had gone up to 42%.

More probable does it appear that, if the junk trade has any fixed relation to anything it is to the quantity of rice imported from Cochin China and Siam. The bearing which this has on the junk trade will be very clearly seen from the annexed diagram which is prepared from the information contained in the Customs return.

I have the honour to be, Sir,
Your most obedient Servant,

R. MURRAY RUMSEY, Rtd. Comd. R.N.

The Honourable J. H. Stewart Lockhart, C.M.G.
Colonial Secretary.

(d) Extracts from Hong Kong Administration Reports 1919

TRADE AND INDUSTRIES

(a) Trade

Detailed and accurate statistics of imports and exports are now collected and published by the Imports and Exports Department. The rough statements hitherto included in these reports are therefore discontinued.

Imports

The number and tonnage of ships of European type construction carrying cargo for import and transit, compared with 1918, were as follows:-

| | 1918 | | 1919 | | Increase | | Decrease | |
|--------------|-------|-----------|-------|-----------|----------|-----------|----------|---------|
| | No. | Tonnage | No. | Tonnage | No. | Tonnage | No. | Tonnage |
| Steamers | 3,337 | 4,864,643 | 4,571 | 7,237,333 | 1,234 | 2,372,690 | ... | ... |
| River | | | | | | | | |
| Steamers | 3,660 | 2,028,674 | 3,550 | 1,917,236 | ... | ... | 110 | 111,436 |
| Sailing | | | | | | | | |
| Vessels | 6 | 13,466 | 4 | 5,356 | ... | ... | 2 | 8,110 |
| Total | 7,003 | 6,906,783 | 8,125 | 9,159,925 | 1,234 | 2,372,690 | 112 | 119,548 |
| Net Increase | | | | | 1,122 | 2,253,142 | ... | ... |

Exports

The corresponding figures relating to ships of European type of construction, shipping bunker coal, are as follows:-

| | 1918 | | 1919 | | Increase | | Decrease | |
|-----------------|-------|-----------|-------|-----------|----------|-----------|----------|---------|
| | No. | Tonnage | No. | Tonnage | No. | Tonnage | No. | Tonnage |
| Steamers | 3,332 | 4,862,038 | 4,560 | 7,219,802 | 1,228 | 2,357,764 | ... | ... |
| River Steamers | 3,657 | 2,028,085 | 3,551 | 1,928,221 | ... | ... | 106 | 99,864 |
| Sailing Vessels | 3 | 7,396 | 4 | 5,356 | 1 | ... | ... | 2,040 |
| Total | 6,992 | 6,897,519 | 8,115 | 9,153,379 | 1,229 | 2,357,764 | 106 | 101,904 |
| Net Increase | | | | | 1,123 | 2,255,860 | ... | ... |

| | 1918 | | 1919 | | Increase | | Decrease | |
|----------------|-------|-------------|-------|-------------|----------|-------------|----------|-------------|
| | No. | Bunker Coal | No. | Bunker Coal | No. | Bunker Coal | No. | Bunker Coal |
| Steamers | 3,332 | 357,109 | 4,560 | 850,386 | 1,228 | 493,277 | ... | ... |
| River Steamers | 3,657 | 52,322 | 3,551 | 53,439 | ... | 1,117 | 106 | ... |
| Total | 6,989 | 409,431 | 8,111 | 903,825 | 1,228 | 494,394 | 106 | ... |
| Net Increase | | | | | 1,122 | 494,394 | ... | ... |

The River Trade, compared with 1918, is shown in the following Table:-

| Year | Imports | Exports | Passengers |
|------|---------|---------|------------|
| 1918 | 362,146 | 399,458 | 1,410,400 |
| 1919 | 323,536 | 328,369 | 1,373,947 |

The following Table shows the Junk Trade of the Colony for the years 1918 and 1919:-

| | Imports 1918 | | 1919 | |
|---------------------|-----------------|-----------|--------|-----------|
| | Junks | Tons | Junks | Tons |
| Foreign Trade | 11,698 | 1,501,757 | 10,353 | 1,248,389 |
| Local Trade | 12,290 | 1,561,890 | 4,686 | 206,326 |
| Total | 23,988 | 3,063,647 | 15,039 | 1,454,715 |

Imported 558,509 tons as under:-

| | Tons |
|--------------------------|----------------|
| Cattle, 1,608 head | 189 |
| Swine, 8,460 head | 498 |
| General | 545,641 |
| Earth and Stones | 12,181 |
| Total | <u>558,509</u> |

Exports

| | 1918 | | 1919 | |
|---------------------|---------------|------------------|---------------|------------------|
| | Junks | Tons | Junks | Tons |
| Foreign Trade | 11,741 | 1,470,609 | 10,357 | 1,349,744 |
| Local Trade | 13,027 | 627,425 | 4,823 | 211,488 |
| Total | <u>24,768</u> | <u>2,098,034</u> | <u>15,180</u> | <u>1,561,232</u> |

Exported 794,566 tons as under:-

| | Tons |
|---------------------------------|----------------|
| Kerosine, 2,385,000 cases | 68,710 |
| Rice and Padi | 142,262 |
| Coal | 192,869 |
| General | 390,765 |
| Total | <u>794,566</u> |

The imports and exports of certificated opium during the year are as follows:-

| | Malwa | Patna | Benares | Total |
|--------------|--------|--------|---------|--------|
| | Chests | Chests | Chests | Chests |
| Import | -- | -- | -- | -- |
| Export | -- | -- | 10 | 10 |

Ten chests of certificated opium were exported to Kwong Chow Wan.

Three hundred and seventy-one (371) chests of Persian opium were imported during the year, and 8 chests were exported to London, 13 chests to Singapore, and 350 chests to Formosa.

Eight hundred and sixty-nine (869) chests of uncertificated Indian opium were imported: 374 chests for the Macao Opium Farmer, and the remaining 495 chests for the Government Opium Monopoly.

The table below shows the total imports and exports since 1911:-

| | 1919 Chests | 1918 Chests | 1917 Chests | 1916 Chests | 1915 Chests | 1914 Chests | 1913 Chests | 1912 Chests | 1911 Chests |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Stock in hand on 1st Jan. | 253 | 799½ | 977½ | 1,303½ | 2,256½ | 4,580½ | 5,560 | 7,587 | 7,123 |
| Imported during the year | 1,290 | 1,259 | 1,657 | 1,706 | 1,873 | 3,059½ | 9,108½ | 12,361½ | 21,286 |
| Total | 1,543 | 2,058½ | 2,634½ | 3,009½ | 4,129½ | 7,640 | 14,668½ | 19,948½ | 28,409 |
| Boiled by Opium Farmer | -- | -- | -- | -- | -- | 36 | 667 | 1,113 | 761 |
| Boiled by Government | 377 | 539 | 352 | 365 | 340 | 413 | -- | -- | -- |
| Spurious Opium destroyed | -- | 1 | 13 | -- | 17 | 19 | -- | 2 | -- |
| Missing or stolen | -- | -- | 1 | -- | -- | 4 | 2 | 9 | -- |
| Exported during the year | 837 | 1,265½ | 1,469 | 1,667 | 2,469 | 4,911½ | 9,419 | 13,264½ | 20,061 |
| Total | 1,214 | 1,805½ | 1,835 | 2,032 | 2,826 | 5,383½ | 10,088 | 14,388½ | 20,822 |
| Stock remaining on 31st Dec. | 329 | 253 | 799½ | 977½ | 1,303½ | 2,256½ | 4,580½ | 5,560 | 7,587 |

Emigration and Immigration

Fifty-nine thousand nine hundred and sixty-nine (59,969) emigrants left Hongkong for various places during the year 1919, (43,830 in 1918). Of these, 25,303 were carried in British ships, and 34,666 in Foreign ships.

One hundred and thirty-six thousand and twenty (136,020) returning emigrants were reported to have been brought to Hongkong from the several places to which they had emigrated either from this Colony or from Coast Ports, as against 74,109 in 1918. Of these, 92,385 arrived in British ships, and 43,635 in Foreign ships.

Statement of Number of Emigrants to Straits Settlements,
1910 to 1919, compared with Total Chinese Emigration

| | No. of Emigrants to Straits Settlements | Total No. of Emigrants |
|------------|-----------------------------------------------|------------------------------|
| 1910 | 76,705 | 111,058 |
| 1911 | 100,906 | 135,565 |
| 1912 | 84,024 | 122,657 |
| 1913 | 102,353 | 142,759 |
| 1914 | 44,974 | 76,296 |
| 1915 | 41,278 | 68,275 |
| 1916 | 82,797 | 117,653 |
| 1917 | 63,292 | 96,298 |
| 1918 | 8,019 | 43,830 |
| 1919 | 11,638 | 59,969 |

(b) -- Industries

(1) -- Under European Management

Engineering and Shipbuilding -- The figures are as follows for the years 1918 and 1919:--

1918

| | | | | | | | |
|--------------------------------------------------------------------------------------|--|--------------------------------------------------|--|--|--|--|--|
| Taikoo Dockyard and Eng. Co., Ltd. 2 vessels of 3,456 gross tons and 1,700 I.P.H. | | | | | | | |
| Hongkong and Whampoa Dock Co., Ltd. 6 " " 5,489 " " " 5,810 " | | | | | | | |
| W. S. Bailey & Co. 6 " " 150 " " " 200 " | | | | | | | |
| Kwong Tuck Cheong 2 " " 1,723 " " " 900 " | | | | | | | |
| Lau Sum Kee 1 " " 1,030 " " " 480 " | | | | | | | |
| Total | | 17 vessels of 11,848 gross tons and 9,090 I.P.H. | | | | | |

1919

| | | | | | | | |
|----------------------------------------------------------------------------------------|--|---------------------------------------------------|--|--|--|--|--|
| Taikoo Dockyard and Eng. Co., Ltd. 6 vessels of 22,311 gross tons and 14,450 I.P.H. | | | | | | | |
| Hongkong and Whampoa Dock Co., Ltd. 9 " " 17,415 " " " 13,975 " | | | | | | | |
| W. S. Bailey & Co. 8 " " 700 " " " 1,750 " | | | | | | | |
| Kwong Tuck Cheong 2 " " 948 " " " 800 " | | | | | | | |
| Total | | 25 vessels of 41,374 gross tons and 30,975 I.P.H. | | | | | |

Sugar Refineries -- 1919 was a good year. Demand from China was consistent, at steadily advancing prices, with the exception of a period of one to two months during the summer, when heavy

speculation destroyed all confidence in the market. During the latter part of the year the incidence of the Japanese boycott threw an unusually heavy demand on all other sources of supply, thus adding a stimulus to an already brisk demand for Hongkong Refined. As a matter of interest, prices of raw sugar in Java rose from f.13 in January to f.42 at the end of December.

India and the Persian Gulf, in common with markets the world over, have felt the pinch of a general shortage of supply, and there were demands from all sources for Refined, much in excess of Hongkong's capacity for export.

Yarn -- The quantity of Yarn imported into the Colony during 1919 was greater than during any of the war years, and the market on the whole kept very steady.

Yarn prices dropped slightly at the commencement of the year and reached their lowest in April/May, when 10s. Yarn was sold at \$190 per bale. The price then advanced and at the end of the year business was done at over \$260. Yarn of higher counts, say 20s., rose from \$260 to \$365.

The total quantity of Indian Yarn imported during the year amounted to 142,000 bales, and 22,000 bales were brought forward from the previous year.

Clearances were very good and totalled 147,000 bales, leaving a carry over of 17,000 bales.

Speaking generally, the year has been a profitable one for both merchants and dealers.

Cotton -- Liverpool Cotton in January was quoted at 20.04d. per lb. for spot and during the end of the month it receded a few points and steadily declined until about the end of March it was quoted at 15.86d. for ready and 13.61d. for forward. It then rose steadily, with very few set-backs, until the end of July when it was quoted at 21.44d. for spot, 21.71d. and 21.79d. for September/October respectively. It again declined and during September it touched as low as 17.60d. for spot. After reaching this point it again firmed up and steadily advanced to 27.50d. at which it was quoted at the end of the year.

The year opened with Exchange at $\frac{3}{4}$. It declined slowly until by the beginning of March it reached $\frac{3}{10}\frac{1}{2}$. It then reacted and has steadily risen with a few fluctuations until at the close the year T/Ts. on London were quoted at $\frac{4}{10}\frac{1}{2}$.

Trading has been rendered somewhat difficult by the various alterations in the value of the Rupee which in January was equivalent to $\frac{1}{6}$ and rose at the end of the year to $\frac{2}{5}\frac{1}{2}$.

Rope Making -- The demand for Manila Cordage was fairly good but the total turnover showed a falling off from that of the

previous twelve months. The high rates of exchange and freight which ruled throughout the year affected considerably our exports to gold standard countries.

Cement Manufacture -- The demand continued good during the year and tonnage was more plentiful. The high exchange again interfered to a very large extent with exports to gold standard countries. On the whole the turnover compared favourably with the last three years.

(11) -- Under Chinese Management

Tin -- This trade showed a decrease as compared with that in 1918. Imports from Yunnan during the year amounted to about 6,800 tons and from Kwangsi to about 200 tons as against 12,500 tons and 200 tons respectively in 1918. From Java 320 tons were imported and from the Straits 2,000 tons.

During the year about 250 tons were exported to Japan, 4,200 tons to Shanghai and other China Coast Ports, and 900 tons to Europe, Canada, and the United States of America.

Rattan and Fibre Furniture -- During 1919 the value of rattan and fibre furniture exported from this port increased from \$10,000 to \$380,000. The value of Rattan Canes exported was about \$200,000 and that of Rattan Core and Seagrass was \$400,000 and \$80,000 respectively.

Native Tobacco -- This trade was a little better than that in 1918.

Tinned Goods -- The volume of business done during the year showed a slight increase over that done in 1918.

Samshu) The volume of business was about the same as that
Vinegar) in 1918.

Knitted Vests and Socks -- The volume of business increased by 10%, and prices went up about 5%.

Leather and Hides -- The trade in these articles showed a slight increase.

Ginger and Preserves -- There was a falling off of about 40% in this trade.

Soy -- During 1919 this trade showed a marked improvement, the total exports having increased to 4,400 casks from 400 casks. This was due to the improvement of shipping conditions.

Paper -- Owing to large imports from America, prices in 1919 went down about 10%. Imports from Japan declined about 20%, and the total imports into this port by about 60%.

Vermillion -- This trade was about the same as that in 1918.

Lard -- This trade showed a great increase in 1919 as the result of great demand from Europe and South America.

(c) -- Fisheries

A considerable proportion of the boat population of Hongkong supports itself by deep-sea fishing, in which pursuit a large number of junks are engaged. The villages of Aberdeen, Stanley, Shaukiwan, and also many in the New Territories, are largely dependent upon this industry for their prosperity. Fresh water fish is imported from Canton and the West River. There are oyster beds of considerable value in Deep Bay.

(e) Extracts from Hong Kong Administration Reports 1938

Commerce

The trade of Hong Kong is that of an entrepot -- a place where goods are imported primarily for exportation. As a business centre the Colony handles the trade between South China and the rest of the world, and consequently the mercantile community is much larger than is necessary for handling local needs. At present, when the South China market is to a large extent cut off by military operations, many firms have been compelled to reduce their overhead expenses and to draw upon reserves.

From its position as the centre of an entrepot trade Hong Kong has grown to be a very important banking centre. Trade conditions demand a highly organized system of exchange banking. The banks established are, therefore, pre-eminently Exchange Banks which also perform the ordinary functions of domestic banking. There are about thirty-four banks in the Colony. Marine insurance companies are also numerous.

Hong Kong is one of the world's large ports, possessing a fine natural harbour seventeen square miles in extent. Cargo is handled both in mid-stream and at wharves which give access to modern warehouses.

Shipbuilding, which is dealt with more fully in Chapter VI, is one of the Colony's most important trades, employing, in commercial establishments and in the Royal Naval Dockyard, many thousands of Chinese under the supervision of European experts. Cement, sugar refining and rope-making are old established industries. Recently there has been considerable development of knitting and weaving, garment-making and rubber-shoe manufacture which has received an impetus by reason of duty-free admission to British countries under Imperial Preference.

For practical purposes the Colony of Hong Kong can be considered to be a "free port". The only import duties imposed are on liquors, tobaccos, perfumed spirits, and light hydrocarbon oils.

Preferential rates of duty are extended to Empire brandies and tobaccos. An ad valorem licence fee is charged on first registrations of motor vehicles which are not of British Empire origin.

The Hong Kong trade returns do not distinguish between imports for consumption and imports for re-export or between exports of Hong Kong, Chinese and non-Chinese origin, and it is not possible to differentiate the various items of trade accurately. Trading conditions have changed radically in various directions since the outbreak of the Sino-Japanese hostilities in 1937. Before that date the visible trade of the Colony fell into four broad categories:-

- (a) Imports for consumption in Hong Kong (including raw materials for certain industries) and exports of Hong Kong origin.
- (b) Chinese external trade passing through Hong Kong, i.e., Chinese goods re-exported to non-Chinese countries and non-Chinese goods re-exported to China.
- (c) Chinese coastal trade, i.e., goods imported from one part of China and re-exported to another.
- (d) Non-Chinese entrepot trade, i.e., goods imported from a non-Chinese country and re-exported to another non-Chinese country.

By an examination of the individual items of trade it was possible to make an approximate estimate of the values of the respective items, and these, prior to July, 1937, were roughly as follows:-

One third of the imports into Hong Kong was of goods intended for retention in Hong Kong, coming from Chinese and non-Chinese countries in the proportion of one to three; and a tenth or less of the exports was of goods originating in Hong Kong (e.g. refined sugar, rubber shoes etc.). Re-exports constituted two-thirds of the imports and nine-tenths of the exports. Of them 10 per cent, consisted of "Chinese coastal trade", 20 to 25 per cent. consisted of non-Chinese entrepot trade and the remainder, nearly 70 per cent, was made up of goods passing between China and the rest of the world via Hong Kong.

It is common to speak of Hong Kong's trade as being almost wholly concerned with China, but the above figures make it clear that such a part of it as is concerned with China alone is less important than that which is not concerned with China at all. The latter consists of such items as the trade in rice from Siam and Indo-China to Japan and the Philippines, the trade in wheat flour from North America to Siam and the trade in Japanese manufactured articles to Indo-China, Siam, Malaya and the Netherlands East Indies.

The latter half of the year 1937 shewed, in spite of the general decline in China's trade, a considerable increase in the proportion of that trade passing through Hong Kong. The proportion of China's imports credited to Kowloon increased from 3% in July, 1937, to 45% in January, 1938. The proportion of China's exports returned as going to Hong Kong increased from 12% in July, 1937, to 41.3% in January, 1938. At the same time the absolute amount of Hong Kong's trade with China also increased.

This state of affairs with regard to the Colony's China trade, accompanied by a steady increase in general trade, continued during the first three quarters of 1938. In October of that year an abrupt downward movement in all trading figures was shewn as the Japanese extended their operations to South China. As a result of the military occupation of Canton and the closure of the Pearl River the normal trade routes between the Colony and the South China delta regions were almost entirely disrupted, and at the close of the year there were no signs of any early appreciable resumption of the South China trade. In the first nine months of 1938 the import and export trade with South China averaged \$70.9 millions in each quarter. In the final quarter of the year the total was \$32.6 millions.

In terms of the analysis of Hong Kong's trade before the Sino-Japanese hostilities, given above, the position at the end of the year was that, though categories (a) and (d) were only indirectly affected, categories (b) and (c) had, with the exception of air transport and minor attempts at avoiding the Japanese blockade of the Pearl River delta, come to a virtual standstill.

The total visible trade of the Colony during the year 1938 totalled \$1,130.1 millions (£69.9 millions) as compared with \$1,084.4 millions (£66.9 millions) in 1937, and \$803.3 millions (£50.6 millions) in 1936. Imports of merchandise in 1938 increased by 0.2% as compared with 1937, and by 36.6% as compared with 1936. Exports increased by 49.5% as compared with 1936.

The following is a list of the appendices to this chapter with general observations on the statistics shewn therein:-

A. Total Value of Imports and Exports of Merchandise

Statistics of imports and exports for the years 1935-1938 reveal a progressive increase of trade in terms of local currency (imports from \$364.9 millions in 1935 to \$618.1 millions in 1938, and exports from \$271.0 millions in 1935 to \$511.9 millions in 1938). Imports and exports in 1934 were higher than in 1935 in terms of local currency -- the 1934 totals being \$415.9 millions (imports) and \$325.6 (exports), but, owing to higher currency values in 1935, the sterling totals were greater in that year.

B. Percentage of Total Imports Provided by Empire and Foreign Countries

During the period 1934-1938, the share of Hong Kong's total import trade supplied by British Empire countries has varied between 13 per cent. and 17.2 per cent. (the latter being the 1938 figure). The United Kingdom is the largest Empire supplying country (9.1 per cent. of Hong Kong's total import trade in 1938), the share of other Empire countries in the same year being Australia 2%, India 1.9%, Malaya 1.2%, "other Empire countries" 3%.

The percentages of Hong Kong's total import trade supplied by the various non-Empire countries has varied only slightly during the period 1934-38, with the exception of Japan, the share of which country has decreased from 8.8% in 1934, and 12.8% in 1936 to 3% in 1938. The shares of other non-Empire countries in 1938 were as follows:- China 37.7%, U.S.A. 8.8%, Netherlands East Indies 6.6%, Germany 6.3%, Siam 5.9%, French Indo-China 5.6%, "other foreign countries" 8.9%.

C. Percentage of Total Exports sent to Empire and Foreign Countries

During the period 1934-1938, the share of Hong Kong's total export trade shipped to British Empire countries has varied from 13.9 per cent. to 19.7 per cent. The total in 1938 was 16.3 per cent. British Malaya is the largest Empire purchasing country (7.2 per cent. of Hong Kong's total export trade in 1938), the share of other Empire countries in the same year being United Kingdom 4.1%, India 1.6%, and "other Empire countries" 3.4%.

The percentages of Hong Kong's total export trade supplied to the various non-Empire countries has varied within narrow limits during the period 1934-1938, the only country where a marked difference is apparent being Japan to which country 3.5% of Hong Kong's total exports were shipped in 1934, 5.1% in 1936 and 0.6% in 1938. The percentages taken by other non-Empire countries in 1938 were as follows:- China 45.1%, U.S.A. 10.2%, French Indo-China 4.5%, Macao 4.1%, Siam 3.1%, "other foreign countries" 16.1%.

D. Quantities and Values of Principal Articles of Imports During the Year 1937 and 1938

The principal commodities imported into Hong Kong (1938 values being given in brackets) are as follows:-

| | |
|-------------------------|-----------------|
| Food Stuffs | (\$152,441,000) |
| Piece-goods | (79,833,000) |
| Oils and Fats | (78,223,000) |
| Metals | (48,144,000) |
| Chinese Medicines | (19,593,000) |
| Fuels | (17,273,000) |

| | |
|---------------------------|----------------|
| Machinery | (\$17,138,000) |
| Dyeing Materials | (16,086,000) |
| Paper and Paperware | (14,743,000) |
| Vehicles | (14,140,000) |

The above-mentioned commodities also figure as the principal exports from Hong Kong, as most imports into this Colony are destined for China and adjacent markets.

E. Quantities and Values of Principal Articles of Exports During the Years 1937 and 1938

Exports of Chinese produce from Hong Kong to Europe, the United States of America and other markets were well maintained in 1938 and in some instances there were considerable increases, notably in tea, wood oil and bristles as a result of trade being diverted to Hong Kong from Yangtse ports during the first nine and a half months of the year as a result of Sino-Japanese hostilities. The export trade was very seriously curtailed subsequent to the closure of the Pearl River on the 13th of October. The values of principal exports of Chinese commodities from Hong Kong in 1938 were as follows:-

| | |
|-------------------------|--------------|
| Wood Oil | \$39,762,205 |
| *Tin | \$16,318,553 |
| Tea | \$12,080,814 |
| Wolfram Ore | \$14,252,838 |
| *Firecrackers | \$ 4,647,436 |
| *Peanut Oil | \$ 3,920,453 |
| Hides | \$ 3,672,228 |
| Feathers | \$ 2,359,284 |
| *Preserved Ginger | \$ 2,187,654 |

Exports of Hong Kong manufactured goods under Imperial Preference were well maintained in 1938. The Trade Returns do not differentiate between exports of locally manufactured goods and re-exports of similar imported goods. It is therefore impossible to give approximate exports of locally manufactured sugar, cement, rope and woven cotton and artificial silk cloth because exports under these headings include considerable quantities of imported goods re-exported to adjacent markets. In the case of many other classes of goods, however, there is little import trade and the export figures may be taken to represent mainly the export of locally manufactured goods. The following export of Hong Kong made goods in 1938 has been assessed on this basis:-

*Note -- Chinese tin is refined in Hong Kong before export. The item firecrackers includes locally made firecrackers as well as firecrackers imported from South China and Macao. The item peanut oil includes locally manufactured peanut oil as well as peanut oil imported from North China. Preserved ginger exported from Hong Kong is manufactured here from ginger imported from South China and sugar imported from Dutch East-Indies.

| | |
|-----------------------------|-------------|
| Canvas Rubber Shoes | \$6,675,542 |
| Singlets | \$5,019,924 |
| Shirts | \$2,168,543 |
| Socks | \$1,121,172 |
| Other wearing apparel | \$3,426,077 |
| Electric Torches | \$2,900,261 |
| Electric Batteries | \$2,189,923 |
| Hats | \$1,068,113 |

DOCUMENT NO. 33

Tables of statistics of Trade between Hong Kong and China 1864-1940 compiled from the publications of the Chinese Imperial Maritime Customs and after 1911, of the Chinese Maritime Customs.

The statistics are taken from "Returns of Trade at the Ports of China open by Treaty to Foreign Trade for the year Part I Foreign Trade. Published by order of the Inspector General of Customs.

The title of this publication changes over the years but figures for China's trade with Hong Kong are provided each year and can be abstracted without difficulty.

(Document No. 33 is continued on page 191)

TABLE A
VALUE EXPRESSED IN HAIKWAN TAEIS

| Year | Imports from Hong Kong | Exports to Hong Kong | Total Chinese Imports | Total Chinese Exports | % of Trade with Hong Kong to Total Chinese Trade | Value of Halkwan Tael |
|------|------------------------------|----------------------------|--------------------------|--------------------------|-----------------------------------------------------------------|-----------------------------|
| | Hk Taels | Hk Taels | Hk Taels | Hk Taels | | |
| 1864 | 9,462,401 | 7,997,274 | 48,590,756 | 54,006,509 | | |
| 1865 | 26,397,077 | 9,921,163 | 65,207,609 | 60,054,634 | | |
| 1866 | 30,462,053 | 9,977,546 | 76,930,781 | 56,161,807 | | |
| 1867 | 23,787,756 | 8,119,094 | 71,637,190 | 57,895,713 | | |
| 1868 | 15,672,685 | 8,970,289 | 73,318,634 | 69,114,733 | | |
| 1869 | 21,427,637 | 12,309,160 | 76,469,713 | 67,143,988 | | |
| 1870 | 19,771,066 | 11,441,519 | 72,289,531 | 61,682,121 | | |
| 1871 | 25,376,627 | 12,505,499 | 80,414,709 | 74,860,550 | | 6/6 |
| 1872 | 23,264,157 | 13,440,943 | 78,066,431 | 83,719,887 | | 6/7 $\frac{1}{2}$ |
| 1873 | 27,713,652 | 8,739,140 | 76,800,836 | 77,540,919 | | 6/5 |
| 1874 | 23,667,334 | 11,304,031 | 67,241,288 | 66,712,868 | | 6/4 $\frac{1}{8}$ |
| 1875 | 27,525,119 | 12,747,010 | 69,993,827 | 68,912,929 | | 6/2 $\frac{1}{5}$ |
| 1876 | 27,371,681 | 14,477,235 | 72,390,898 | 80,850,512 | | 5/11 $\frac{2}{5}$ |
| 1877 | 27,601,643 | 15,255,766 | 76,066,703 | 67,445,022 | | |
| 1878 | 27,444,636 | 14,979,101 | 73,188,166 | 67,172,179 | | 5/11 $\frac{1}{2}$ |
| 1879 | 29,641,379 | 16,402,856 | 84,796,488 | 72,281,262 | | 5/7 $\frac{1}{3}$ |
| 1880 | 30,253,085 | 16,608,720 | 81,639,703 | 77,883,587 | | 5/9 $\frac{5}{8}$ |
| 1881 | 31,189,895 | 17,661,418 | 93,883,635 | 71,452,974 | | 5/6 $\frac{1}{2}$ |
| 1882 | 29,083,006 | 16,487,573 | 79,504,243 | 67,336,846 | 31.02% | 5/8 $\frac{1}{2}$ |
| 1883 | 29,090,873 | 18,851,904 | 74,954,138 | 70,197,693 | 33.03% | 5/7 $\frac{1}{4}$ |
| 1884 | 30,770,453 | 17,239,750 | 74,330,282 | 67,147,680 | 33.93 | |
| 1885 | 35,268,197 | 15,869,987 | 89,406,883 | 88,200,018 | 33.12 | 5/3 $\frac{1}{2}$ |
| 1886 | 34,889,671 | 22,552,676 | 89,310,480 | 77,206,568 | 34.52 | 5/0 $\frac{1}{8}$ |
| 1887 | 57,761,039 | 31,393,189 | 102,263,669 | 85,860,208 | 46.88 | 4/8 $\frac{3}{8}$ |
| 1888 | 69,840,746 | 33,551,518 | 126,826,643 | 92,401,067 | 47.23 | 4/10 $\frac{1}{4}$ |
| 1889 | 63,371,081 | 35,186,644 | 113,140,643 | 96,747,736 | 46.96 | 4/8 $\frac{1}{2}$ |
| 1890 | 72,057,314 | 32,930,551 | 128,758,290 | 87,144,480 | 48.63 | 5/2 $\frac{1}{4}$ |
| 1891 | 68,155,959 | 37,707,661 | 136,010,646 | 100,947,849 | 44.67 | 4/11 |
| 1892 | 69,816,916 | 40,701,434 | 137,422,672 | 102,853,525 | 46.05 | 4/4 $\frac{1}{4}$ |
| 1893 | 80,890,964 | 48,290,259 | 153,326,886 | 116,632,311 | 47.85 | 3/11 $\frac{1}{4}$ |
| 1894 | 82,424,351 | 50,793,504 | 162,102,911 | 128,104,522 | 45.35 | 3/2 $\frac{3}{8}$ |
| 1895 | 88,181,240 | 54,774,489 | 179,946,960 | 211,623,419 | 44.23 | 3/3 $\frac{1}{4}$ |
| 1896 | 91,356,530 | 54,053,080 | 143,293,211 | 131,081,421 | 42.43 | 3/4 |
| 1897 | 90,125,887 | 60,402,222 | 212,234,994 | 163,501,358 | 40.08 | 2/11 $\frac{1}{2}$ |
| 1898 | 97,214,017 | 62,083,512 | 218,745,347 | 159,037,149 | 42.17 | 2/10 $\frac{5}{8}$ |
| 1899 | 118,096,208 | 71,845,558 | 273,756,065 | 195,784,832 | 40.45 | 3/0 $\frac{1}{8}$ |
| 1900 | 93,846,617 | 63,961,634 | 222,129,473 | 158,958,752 | 41.41 | 3/14 |
| 1901 | 120,329,884 | 71,435,103 | 277,139,735 | 169,656,757 | 42.92 | 2/11 $\frac{9}{16}$ |
| 1902 | 133,524,169 | 82,657,375 | 325,546,311 | 214,181,584 | 40.05 | 2/7 $\frac{1}{5}$ |
| 1903 | 136,520,453 | 89,195,605 | 336,853,134 | 214,352,467 | 40.95 | 2/7 $\frac{2}{3}$ |
| 1904 | 141,085,010 | 86,858,017 | 357,444,663 | 344,060,608 | 38.19 | 2/10 $\frac{2}{5}$ |
| 1905 | 148,071,198 | 81,452,643 | 461,194,532 | 227,888,197 | 33.31 | 3/0 $\frac{1}{10}$ |

| Year | Imports from Hong Kong | Exports to Hong Kong | Total Chinese Imports | Total Chinese Exports | % of Trade with Hong Kong to Total Chinese Trade | Value of Halkwan Tael |
|----------------------------|------------------------|----------------------|-----------------------|-----------------------|--------------------------------------------------|---------------------------------------|
| | Hk Taels | Hk Taels | Hk Taels | Hk Taels | | |
| 1906 | 144,936,957 | 82,740,427 | 428,290,287 | 236,456,739 | 34.25 | 3/3 ¹ / ₂ |
| 1907 | 155,642,016 | 97,226,434 | 429,071,662 | 264,380,697 | 36.47 | 3/3 |
| 1908 | 150,252,300 | 92,107,963 | 409,554,653 | 276,660,403 | 35.32 | 2/8 |
| 1909 | 150,471,229 | 96,919,388 | 430,048,606 | 338,992,814 | 32.17 | 2/7 ³ / ₁₆ |
| 1910 | 171,465,974 | 108,722,925 | 476,553,402 | 360,833,328 | 32.68 | 2/8 ⁵ / ₁₆ |
| 1911 | 148,249,335 | 103,669,742 | 482,576,127 | 377,338,166 | 29.30 | 2/8 ⁴ / ₁₆ |
| 1912 | 147,801,363 | 103,384,165 | 485,726,080 | 370,520,403 | 29.34 | 3/0 ⁵ / ₈ |
| 1913 | 171,636,099 | 117,128,661 | 586,290,431 | 403,305,546 | 29.18 | 3/0 ⁴ / ₁₆ |
| 1914 | 166,498,763 | 93,399,758 | 572,057,970 | 345,280,874 | 27.90 | 2/8 ⁵ / ₁₆ |
| 1915 | 148,436,189 | 104,169,938 | 477,064,005 | 418,861,164 | 28.19 | 2/7 ⁸ / ₁₆ |
| 1916 | 153,347,624 | 119,485,650 | 535,268,426 | 481,757,366 | 26.82 | 3/3 ⁵ / ₁₆ |
| 1917 | 158,602,488 | 115,842,946 | 577,381,339 | 462,931,630 | 26.38 | 4/3 ⁵ / ₁₆ |
| 1918 | 162,191,816 | 116,988,021 | 577,643,803 | 485,883,031 | 26.25 | 5/3 ⁶ / ₁₆ |
| 1919 | 153,631,544 | 131,495,296 | 679,529,544 | 630,809,411 | 21.76 | 6/4 |
| 1920 | 159,313,335 | 136,462,043 | 799,960,206 | 541,631,300 | 22.05 | 6/9 ¹ / ₂ |
| 1921 | 231,138,080 | 152,875,077 | 932,850,340 | 601,255,537 | 25.03 | 3/11 ⁷ / ₁₆ |
| 1922 | 239,347,671 | 169,995,691 | 975,034,183 | 654,891,933 | 25.11 | 3/9 |
| 1923 | 248,083,456 | 175,796,691 | 948,633,920 | 752,917,416 | 24.91 | 3/5 ³ / ₁₆ |
| 1924 | 243,919,357 | 173,162,926 | 1,039,102,156 | 771,784,468 | 23.03 | 3/7 ¹⁵ / ₁₆ |
| 1925 | 176,311,082 | 114,714,974 | 965,090,593 | 776,352,937 | 16.71 | 3/5 ⁸ / ₁₆ |
| 1926 | 124,472,673 | 93,802,031 | 1,144,646,971 | 864,294,771 | 10.87 | 3/1 ³ / ₁₆ |
| 1927 | 212,592,777 | 169,679,878 | 1,034,030,490 | 918,619,662 | 19.58 | 2/9 ¹³ / ₁₆ |
| 1928 | 226,077,171 | 182,123,992 | 1,210,001,728 | 991,354,988 | 18.54 | 2/11 ¹ / ₁₆ |
| 1929 | 214,481,099 | 173,560,754 | 1,281,321,291 | 1,015,687,318 | 16.90 | 2/7 ¹³ / ₁₆ |
| 1930 | 218,369,933 | 158,018,135 | 1,328,231,966 | 894,843,594 | 16.93 | 1/10 ¹¹ / ₁₆ |
| 1931 | 218,170,000* | 148,312,000* | | | 15.71 | 1/6 ⁷ / ₁₆ |
| 1932 | 60,473,984 | 75,665,481 | 1,062,617,331 | 492,988,989 | Imps. Exps. 5.71 15.35 | 1/11 ¹ / ₄ |
| Values in Standard Dollars | | | | | | Value of the dollar |
| 1933 | 48,287,308 | 120,954,464 | 1,358,978,165 | 612,292,722 | 3.55 19.75 | 1/2 ¹³ / ₁₆ |
| 1934 | 29,638,663 | 101,001,027 | 1,038,978,938 | 545,733,321 | 2.86 18.85 | 1/4 ¹ / ₁₆ |
| 1935 | 20,359,397 | 94,892,671 | 924,694,798 | 576,298,382 | 2.20 16.47 | 1/5 ³ / ₁₆ |
| 1936 | 17,754,509 | 106,546,843 | 944,523,218 | 706,790,915 | 1.88 15.08 | 1/2 ³ / ₁₆ |
| 1937 | 19,077,601 | 162,903,595 | 956,233,801 | 838,796,918 | 2.00 19.42 | 1/2 ⁵ / ₁₆ |
| 1938 | 24,589,195 | 243,395,311 | 893,499,695 | 763,731,464 | 2.75 31.87 | 10 ⁹ / ₁₆ pence |
| 1939 | 35,416,158 | 222,068,624 | 1,343,018,373 | 1,030,358,498 | 2.64 ' 21.56 | 6 pence |
| 1940 | 146,972,221 | 367,502,131 | 2,044,364,630 | 1,976,071,291 | 7.15 18.60 | 3 ¹⁵ / ₁₆ pence |

* net figures

TABLE B
VALUES GIVEN IN HAIKWAN TAEIS

| Year | Imports of | | Total Imports from Hong Kong | Exports of Native Goods | | |
|------|---------------|------------------------|------------------------------|-------------------------|------------------|----------------------------|
| | Foreign Goods | Native Goods | | To Foreign Countries | To Chinese Ports | Total Exports to Hong Kong |
| 1870 | 21,375,847 | 2,703,351 | 24,079,198 | 11,391,560 | 2,030,204 | 13,421,764 |
| 1871 | 25,376,627 | 3,392,159 | 28,768,786 | 12,505,499 | 2,339,093 | 14,844,592 |
| 1872 | 23,264,157 | 3,256,126 | 26,520,283 | 13,440,943 | 3,140,279 | 16,581,222 |
| 1873 | 27,713,652 | 3,318,685 | 31,032,337 | 8,739,140 | 3,240,660 | 11,979,800 |
| 1874 | 23,667,332 | 2,995,200 | 26,662,632 | 11,304,031 | 4,126,488 | 15,430,519 |
| 1875 | 27,525,119 | 3,502,066 | 30,027,185 | 12,747,010 | 3,419,775 | 16,166,785 |
| 1876 | 27,817,984 | 3,050,299 | 30,868,283 | 14,144,156 | 1,899,524 | 16,043,680 |
| 1877 | 27,601,643 | 2,986,591 | 30,588,234 | 15,255,766 | 2,375,923 | 17,631,689 |
| 1878 | 27,444,636 | 4,836,989 | 32,281,625 | 14,979,101 | 2,800,045 | 17,779,146 |
| 1879 | 29,641,379 | 5,590,994 | 35,252,373 | 16,402,856 | 3,515,641 | 19,918,497 |
| 1880 | 30,253,085 | 5,206,153 | 35,459,238 | 16,608,720 | 4,188,375 | 20,797,095 |
| 1881 | 31,189,895 | 5,163,094 | 36,352,989 | 17,661,418 | 4,072,289 | 21,733,707 |
| 1882 | 29,062,006 | 5,056,494 | 34,119,500 | 16,487,573 | 3,976,782 | 20,464,355 |
| 1883 | 29,090,873 | 4,798,263 | 33,889,136 | 18,851,904 | 3,871,509 | 22,723,413 |
| 1884 | 30,770,453 | 4,970,911 | 35,741,364 | 17,239,750 | 4,082,698 | 21,322,448 |
| 1885 | 35,266,197 | 5,618,078 | 40,886,275 | 15,869,987 | 4,329,797 | 20,199,784 |
| 1886 | 34,889,671 | 5,591,206 | 40,480,877 | 22,552,676 | 4,293,920 | 26,846,596 |
| 1887 | 57,761,039 | 9,257,169 | 67,018,208 | 31,393,189 | 6,223,742 | 37,616,931 |
| 1888 | 69,840,746 | 11,251,549 | 81,092,295 | 33,551,518 | 7,714,694 | 41,266,212 |
| 1889 | 63,371,081 | 11,227,155 | 74,598,236 | 35,186,644 | 8,261,561 | 43,448,145 |
| 1890 | 72,057,314 | 12,267,081 | 84,324,395 | 32,930,551 | 8,589,955 | 41,520,506 |
| 1891 | 68,155,959 | 13,048,070 | 81,204,029 | 37,707,661 | 7,435,046 | 45,142,707 |
| 1892 | 69,816,916 | 10,883,118 | 80,700,034 | 40,701,434 | 7,572,351 | 48,273,785 |
| 1893 | 80,890,904 | 5,822,582 ¹ | 86,713,546 | 48,290,259 | 2,247,005* | 50,537,264 |
| 1894 | 82,424,351 | 5,730,576 ² | 88,154,927 | 50,793,504 | 2,226,052* | 53,019,556 |
| 1895 | 88,191,240 | 5,685,062 ³ | 93,876,302 | 54,774,489 | 2,331,517* | 57,106,006 |
| 1896 | 91,356,530 | 6,532,733 ⁴ | 97,889,263 | 54,053,060 | 3,338,201* | 57,391,261 |

- 1 including 2,484,205 from Macao
2 including 2,292,036 from Macao
3 including 2,229,332 from Macao
4 including 3,050,611 from Macao

* All to Macao

NOTES ACCOMPANYING THE ORIGINAL TABLES

- I. Table A is compiled from an annual table giving statistics of trade between China and listed countries, in which Hong Kong is included.

From 1864 to 1880 an asterisk note against the name Hong Kong reads "The imports from Hong Kong come originally from Great Britain, America, India, the Straits and other countries".

Up to 1867, a second note relating to the Imports into China from Hong Kong reads:-

"In addition to the Imports given here which are the imports entered at the Treaty Ports, a quantity of opium is annually smuggled into the South of China by Chinese who buy it at Hong Kong. As the portion consumed in Hong Kong is comparatively trifling, the quantity which finds its way into China without appearing in these customs returns must be nearly equal to the quantity by which the Hong Kong importation exceeds the entries at the Treaty Ports. That excess was in 1865, 20,390 peculs, of an estimated value of Tels 9,175,500; in 1866, 16,834 peculs of an estimated value Tls. 7,743,600; in 1867, 25,582 peculs of an estimated value Tls. 12,023,500.

A large quantity of rice is also annually imported into Hong Kong, and afterwards re-exported to places in China, of which only a small portion is entered at the Treaty Ports. The sales in Hong Kong in 1865, as reported by the "China Overland Trade Report", were 3,199,000 peculs, of an estimated value of Tls. 7,197,725, in 1866, 3,721 peculs of an estimated value of Tls. 7,907,000, and in 1867, 2,514,000 peculs, of an estimated value of Tls. 5,185,000".

In 1868 and subsequent years, this latter paragraph about rice was omitted. Also in 1868 the wording of the note regarding opium was amended to omit the reference to smuggling.

It reads:-

"In addition to the imports entered at the Treaty Ports, to which the values given in the above table are of course confined, the South of China is largely supplied with opium and other articles purchased by Chinese at Hong Kong. As the quantity of opium consumed in Hong Kong is comparatively trifling, the quantity brought into China without appearing in these customs' returns must be nearly equal to the quantity by which Hong Kong importation exceeds the entries at the Treaty Ports.

That excess was in 1868, 15,622 peculs value
Tls. 7,029,900; in 1869, 32,652 peculs value
Tls. 16,097,841; in 1870, 36,228 peculs value
Tls. 17,051,340. "

In 1871, this note was further amended. Estimates of the excess of importation of opium into Hong Kong over that entering at the Treaty Ports were dropped and replaced by a new table giving further detail about Hong Kong trade with China. This table, from which Table B above was compiled, was given annually from 1871 to 1896. The note reads:-

"In addition to the Imports entered at the Treaty Ports to which the values given in the above tables are of course confined, the South of China is largely supplied with Opium and other articles imported from Hong Kong in Native vessels. For further information about the trade with Hong Kong see note on Page"

In 1881, the general note about the origin of Hong Kong imports was amalgamated with that about opium and other articles being supplied to South China from Hong Kong.

The combined note reads:-

"The Imports from Hong Kong come originally from, and the Exports to the Colony are further carried on to Great Britain, America, Australia, India, the Straits and other countries. In addition to the Imports entered at the Treaty Ports, to which the values given in the above Table are of course confined, the South of China is largely supplied with opium and other articles imported from Hong Kong in Native vessels. For further information about the Trade with Hong Kong see Note on page and about opium see Note on page"

In 1889 the wording was again modified to indicate the origin of imports received from Hong Kong. The note reads:-

"The Imports from Hong Kong come originally from, and the exports to that Colony are further carried on to Great Britain, America, Australia, India, the Straits and other countries. In addition to the Imports to which the values given in the above table are confined, the South of China is supplied with opium and other articles imported from Singapore, Siam and other Foreign places, in Native vessels. For further information about the Trade with Hong Kong see note on page"

In 1893 the phrase "and Coast Ports of China" was added to the list of countries to which exports from China to Hong Kong are further carried.

In 1897 the last sentence "For further information about the Trade with Hong Kong see note on page" was omitted, and the annual estimated of the full Hong Kong trade with China from which Table B has been compiled, came to an end.

In 1904, the words "Continent of Europe" and "Japan" were added to the list of countries forming the origin and terminus of Hong Kong's trade with China.

In 1913 the note was simplified by cutting out the reference to Hong Kong supplying South China with opium etc. and reads:-

"The Imports from Hong Kong came originally from, and the Exports to that Colony are further carried on to, Great Britain, the continent of Europe, America, Japan, Australia, India, the Straits etc. and Coast Ports of China."

II. Notes to Table B

In 1882, when the figures from which Table B has been compiled first appeared, they were headed by the following explanation:-

"The values of the trade, with Hong Kong given in the table on pages [(i.e. Table A)] represent only that portion of the Trade of China with foreign countries (*italics*) which passes through Hong Kong; with this exception that the opium imported into Shanghai is carried to the credit of India. The whole (*italics*) trade carried on by Foreign vessels between Hong Kong and the treaty Ports (with the exception just mentioned) is given below.

In 1887 and onwards the words "with this exception that the opium imported into Shanghai is carried to the credit of India." were omitted.

In 1893 the wording was amended to read:-

"The values of the trade with Hong Kong for 1892 ... given in the Table on pages [(i.e. Table A above)] represent only that portion of the trade of China with Foreign countries (*italics*) which passes through Hong Kong. In 1893, the direct (*italics*) trade with Hong Kong and the Treaty Ports is classed as Foreign. The whole (*italics*) trade between Hong Kong and the above Ports is given below." (i.e. Table B).

In 1897 the attempt to give a fuller picture of China's trade with Hong Kong was dropped, and the figures, from which Table B has been compiled, ceased.

VI. CURRENCY AND FINANCE

At the time of the founding of Hong Kong, British currency policy in the colonies aimed at stability and uniformity based on sterling and the use of British coins, or other coins at established parities. But as an entrepôt, Hong Kong necessarily had the closest economic links with mainland China, and hence Chinese habits in currency matters almost immediately began to dominate the Island's commercial practice. The early currency proclamations in the Colony were therefore largely inoperative and in practice the silver standard prevailed, though it was not until 1862, after nearly 20 years, that the Government bowed to the inevitable and based the currency officially on silver.

The first document in this section No. 34, is the Currency Proclamation of May 1st, 1845 establishing parities for various coins of Britain, China, India and the American republics. This proved almost immediately to be a dead letter, and in a dispatch to the Secretary of State, Document No. 35, the Governor, Sir Hercules Robinson, explained at some length why the currency should be based on the silver dollar. He went even further and set up a Mint to provide the Colony's with its own silver coins. This proved to be a costly failure, because the Chinese continued to conduct cash transactions in the traditional way; they did not accept coins at their face value, but by weight and an estimate of their fineness, and they therefore had little incentive to incur a minting charge to convert silver bullion into coins. In Document No. 36, Sir Richard Graves MacDonnell gave an account of Chinese currency habits to explain the failure of the Mint project.

Hong Kong was caught in the depreciation of silver which came in the last quarter of the 19th century, and a table of silver depreciation is given in Document No. 37. The Report of the Hong Kong Currency Committee of 1930, Document No. 38, reiterated the view that the Hong Kong currency should remain closely linked with that of China and went no further than to suggest that a scheme should be prepared to go over to the gold standard if China made this change. In November 1935 China abandoned the silver standard, and in December of the same year, the Hong Kong Government passed a Currency Ordinance, setting up arrangements for a managed currency. Document No. 39 gives this Currency Ordinance, together with a brief extract from the Administration Reports for the year 1936 summing up the changes made by the ordinance. The close link with China made it undesirable to bring Hong Kong within the sterling area, and it remained outside until the end of the Second World War.

Hong Kong played an important role in supplying capital to China in the form of Government loans or loans for the construction of railways. Two documents illustrative of this side of Hong Kong's entrepôt function have been included in this section for convenience. The Hongkong and Shanghai Banking Corporation prospectus, Document No. 40, is taken from the "China Mail" of 28th July, 1864, though the prospectus itself is dated 3rd August, 1864. The second Document No. 41, is an agreement for a loan for the construction of the Chinese section of the Canton-Kowloon Railway. This concession was obtained in 1898, but little was done until 1907 when the agreement was made between China and the British and Chinese Corporation Ltd., the latter being jointly controlled by Jardine, Matheson & Co., and The Hongkong and Shanghai Banking Corporation. British capital for Chinese Government loans or railway construction was supplied largely from Hong Kong through the agency of the British and Chinese Corporation.

DOCUMENT NO. 34

A Proclamation for Regulating the Currency. May 1st, 1845

WHEREAS, on the 29th day of March, 1842, a Proclamation was issued at Hongkong by Sir Henry Pottinger, Baronet, Our Plenipotentiary and Chief Superintendent of the Trade of British Subjects in China, in the terms following, that is to say:-

"With reference to the desirable object of preventing disputes and laying down some defined system regarding the Circulating Medium in this settlement, His Excellency Sir Henry Pottinger, Bart, Her Majesty's Plenipotentiary and Chief Superintendent of the Trade of British Subjects in China, is pleased to promulgate the following brief Rules, which are to be considered applicable to all common Bazaar Purchases, and Barter, Hire, &c., &c., but not to interfere with, or affect, what may be, termed Mercantile Transactions, and are to be in force on the Island of Hongkong pending the Gracious Pleasure of Her Majesty the Queen of Great Britain."

"1st. The following Coins are to be deemed legal Tenders:- Spanish, Mexican, and other Dollars and their component parts, Company's Rupees and their component parts, Cash, or the Copper Coin current in China."

"2nd. Dollars of whatever denomination or device, and whether whole or chopped, are to circulate at par with reference to each other, always providing that they be of the proper weight and standard."

- "3rd. Two and one quarter Company's Rupees shall be considered equal to one Dollar.
One Rupee and two Annas (or half a quarter) equal to half a Dollar, and three-quarters of a Rupee (or twelve Annas) equal to one quarter of a Dollar."
- "4th. Twelve hundred Cash (1200) Copper Coin shall be equal to one Dollar.
Six hundred (600) to half a Dollar.
Three hundred (300) to quarter of a Dollar.
Five hundred and thirty-three (533) to one Company's Rupee.
Two hundred and sixty-six (266) to half a Rupee.
One hundred and thirty-three (133) to one quarter of a Rupee."
- "5th. Any other Coins, whether British or Foreign, not enumerated in the preceding Rules, are not to be deemed a legal Tender, but they can of course be sold or otherwise bartered in the Bazaar, according to their intrinsic value."
- "6th. Cash Copper Coin at the rate laid down in the 4th Rule, will be sold to any individual requiring it in sums of not less than fifty Dollars, on application to the Treasurer and Secretary to Her Britannic Majesty's Superintendent of Trade."

"God save the Queen."

And Whereas, on 27th day of April, 1842, a further Proclamation was issued by Our said Plenipotentiary and Chief Superintendent of the Trade of British Subjects in China, in the terms following — that is to say:—

"The Letter, of which a Copy is hereunto annexed, having been addressed to me by the Mercantile Firms who have signed it, on behalf of themselves and others, I do hereby direct and proclaim, in conformity with their application, that pending the gracious pleasure of the Queen of England, the Mexican and other Republican Dollars shall be taken as, and considered to be, the Standard, in all Government and Mercantile transactions at Hongkong and other places in China in the occupation of Her Majesty's Forces, unless at the time of such transactions taking place it should be expressly specified to the contrary."

"And I do further announce, that the present Proclamation is not to be taken in any way or shape as affecting the provisions of the one which I promulgated on the 29th day of last month, relative to the Circulating Medium in the Island of Hongkong."

"God save the Queen."

And Whereas, by our Letters Patent, bearing date the 5th day of April, in the Sixth Year of our Reign, we did erect and constitute our Island of Hongkong and its Dependencies into a separate Colony, to be known and designated as the Colony of Hongkong; and by Our Instructions to Our Governor of the said Colony, we did then direct and ordain that he should not propose or assent to any Legislative Ordinance whatever, whereby any "Bills of Credit or any other Paper Currency, or any Coin, save only the legal Coin of the Realm, may be made or declared to be a legal Tender, without special permission from us in that behalf first obtained."

And Whereas it hath been represented to Us, by the Lords Commissioners of Our Treasury, that doubts have arisen with reference to the terms of the said hereinbefore recited Proclamations of the 29th day of March, and the 27th day of April, 1842, respecting the legal sufficiency of Tenders of Payment within Our said Island and its Dependencies, in British Coins; and it is expedient that such doubts should be removed, and that the Regulations regarding Standards of Value and Tenders of Payment within Our said Island should be assimilated to those of Our other Possessions abroad.

Now, therefore, We, by the advice of Our Privy Council, have thought fit to declare and ordain, and by the advice aforesaid, We do hereby declare and ordain, that from and after the date of the publication in the said Island of Hongkong of this Our Proclamation, the said hereinbefore recited Proclamations issued on the 29th day of March, and 27th day of April, in the Year 1842, as aforesaid, shall be revoked and annulled.

And We do further declare and ordain, that from and after the date of the Publication, as aforesaid, of this Our Proclamation, the several Coins hereinafter specified, being perfect Coins, and of full and proper weight and value, shall, in like manner as the Gold, Silver, and Copper Coins of the United Kingdom, be and constitute a legal Tender of Payment within Our said Island of Hongkong and its Dependencies, at the several respective rates, and as equivalent to the values undermentioned, that is to say,—

The Gold Mohur of the East India Company's Territory, coined since the 1st day of September, 1835, at the rate of Twenty-nine shillings and two pence Sterling Money of the United Kingdom.

The Dollar of Spain, Mexico, or the South American States, at the rate of Four shillings and Two pence Sterling.

The Rupee of the East India Company's Territory, coined since the 1st day of September, 1835, at the rate of One shilling and Ten pence Sterling; and the Half Rupee, Quarter Rupee, and Eighth of Rupee pieces, in proportion.

The Cash, or Copper Coin, Current in China, at the rate of Two hundred and eighty-eight Cash, for One shilling Sterling.

And We do hereby further declare and ordain, that Tenders of Payment in the said Coins, being, as aforesaid, perfect Coins, and of full and proper weight and value, as well as in the Gold, Silver, or Copper Coins of the United Kingdom, or any or either of them, according to the several relative rates and values hereinbefore specified, shall be deemed and taken within Our said Island of Hongkong and its Dependencies, to be a sufficient and lawful Tender, in satisfaction and discharge of all Debts, Contracts, and Engagements whatsoever for the payment of money: Provided always nevertheless, and We do further ordain and declare, that nothing herein contained shall be deemed or taken to render it compulsory on any person to accept at any one payment a larger Amount in Silver Coins of the United Kingdom of lower denomination than One shilling, or in the Half, Quarter, or Eighth Rupee pieces hereinbefore mentioned, than the equivalent to Twenty shillings Sterling Money; or a larger Amount in Copper Coins of the United Kingdom, or in the Chinese Copper Coins before-mentioned, than the equivalent to One shilling Sterling Money.

By Her Majesty's Command,

J. F. DAVIS

GOD SAVE THE QUEEN

DOCUMENT NO. 35

**Dispatch from Sir Hercules Robinson to Duke of Newcastle,
on the subject of the Currency. March 9th, 1861**

CO 129/80

Confidential

Government Offices, Victoria,
Hongkong, 9th March 1861.

My Lord Duke,

In compliance with the desire expressed in Sir C. Lewis' confidential Dispatch of 3rd November last, I have the honour to submit to your Grace my view on the subject of the currency of Hong Kong.

2. The currency of the Colony is supposed to be regulated by the Queen's Proclamation of 1844, but this Proclamation, for the reasons which I will explain, has from the date of its publication been a dead letter as regards all mercantile transactions, and it has now for some years been equally inoperative as regards the transactions of the local Government.

3. The Proclamation was apparently founded on the supposition that gold either was or might be made the standard of value in Hong Kong. Acting on this assumption it sought to assimilate the

currency of the place to that of other British Colonies, and made provision for the concurrent legal circulation of certain foreign coins and coins of the East India Company, with the coins of the United Kingdom at certain fixed rates specified in the denomination of British sterling.

4. The legal effect of the regulations thus established was supposed by the Home Authorities to be that thenceforth all pecuniary contracts and engagements entered into at Hong Kong and its Dependencies in the terms of the Sterling currency of the United Kingdom might be discharged with any of the coins specified in the Proclamation at the rate respectively assigned to them. And that "agreements at Hong Kong to pay a certain amount of 'dollars' might be discharged by the payment of gold sovereigns at the rate of 4 dollars 80 cents, or 16 Rupees, at the rate of 44 cents, or of British shillings at the rate of 24 cents."

5. In the adoption of these provisions the exceptional condition of the Colony - without agriculture or manufactures - producing nothing either for consumption or exportation, would seem to have been overlooked. Hong Kong is a mere rock from whence are directed the operations of a large portion of the vast foreign trade carried on *outside* it. Here is not to be found in connection with that trade either the buyer or the seller - the producer or the consumer; and the Colony has not and never had, I conceive, any pretensions whatever to establish an isolated system of currency at variance with that of the great Empire on the confines of which it is established. I believe it is not too much to say that if it had been possible to enforce the Proclamation referred to on the mercantile community and such a step had been attempted, it must have proved fatal to the very existence of the Colony as a commercial entrepôt.

6. The mercantile community, however, has never recognised the Proclamation or governed themselves in the slightest degree in their mutual transactions by its conditions. Silver remains the standard of value. All accounts, except those of the Government Departments, are kept in dollars and cents; and the sole instrument of commerce and medium of exchange both here and at all the open ports in China, except Shanghai, is now the dollar - current by weight - the weight almost universally specified in all contracts being "dollars weighed 7.1.7"; which means Dollars weighing at the rate of 1,000 to 717 Taels weight - or equivalent to 415.74 grains troy each.

7. As regards the transactions of the Colonial Government the Proclamation may be said to have remained in force until 1854 up to which time I find, the greater portion of the revenue was paid into the Treasury in British Sterling money, entailing thereby inconvenience to the local Government, and serious loss to the public servants. Early in that year, however, it was decided by the Chief Justice in a trial before the Supreme Court "that when contracts were made in dollars payment must be made in such coins and not in those specified in the Queen's Proclamation of 1844". This decision was in effect tantamount to a repeal of the Proclamation.

From time to time the local Government made the necessary verbal alterations to secure the payment of all rents, taxes, licences, and other dues in Dollars; and the result now is that (with the exception of a few fines and fees, and such-like receipts, altogether unimportant in amount, but specified in the old Ordinance under which they are levied in terms of Sterling money) the whole of the public revenue is received in Dollars at 4/2. The payments from the Treasury are in like manner made in dollars at the same rate. Thus, I find that out of a revenue of £94,000 received during the year 1860, only £1,600 was received in sterling, and of this amount £1,200 was received in payment of fractional parts of a dollar for which under the present system there was no other legal tender.

8. The financial transactions of the Imperial Government here are mostly confined to payments on account of the Naval Military and Consular Services. The Government Chest is supplied with Dollars by the sale of Bills on London or India and by the importation of specie. All pay and allowances though specified in Sterling are issued from the Commissariat Chest in Dollars at 4/2, and almost all contracts entered into distinctly stipulate that payment is to be made by the Government in Dollars, and consequently under the decision of the Chief Justice they cannot be liquidated in any other coin. Occasionally it is stipulated that contracts shall be paid for in Bills on London especially in the hire of Transports, and other Naval contracts, but the price of these Bills in the market at the exchange of the day is of course taken into account in the terms of the contract. The Home Government are rarely receivers of money here except from the Post Office to which I will presently allude, and occasionally for the sale of damaged Commissariat and Ordnance Stores when one of the conditions of sale is invariably that payment is to be made in Dollars.

9. All these circumstances combined have gradually led to the total withdrawal of the Sovereign from circulation here. It is now a mere fancy coin which is not even kept by the Banks; and if their customers require any on returning to Europe, the Banks have to send to the money changers or gold workers to purchase them. Sovereigns occasionally find their way here in considerable numbers from Australia, occasionally with gold dust which is imported largely, in the same way as American Eagles are brought with gold ingots from California, but these coins are merely imported as so much merchandize, and on their arrival here are with the uncoined gold indiscriminately thrown into the melting pot, and converted into gold leaf for export to India.

10. In reply therefore to one of the questions specially referred to me in the Dispatch under acknowledgment I have to report that if the existing Proclamation were worked persons in the possession of Sovereigns at the time would have no fair claim to indemnity because as I have shown all contracts - Governmental as well as private - are made in Dollars and it is a mistake to suppose that such obligations can be discharged in either gold or silver, - gold having practically been demonatized by the Chief Justice's decision of 1854.

11. Here I may observe on the manner in which the Colonial Government accounts are at present kept that nothing could well be more inconvenient and complicated. The Revenue as has been observed, is almost all paid in Dollars, but it is brought to account in terms of sterling money. The Estimates and Appropriation Ordinances are made out in sterling, but the Contracts for Supplies and Public Works are all made in Dollars, and the whole expenditure is paid from the Treasury in Dollars while it is charged in the accounts in Pounds, Shillings and Pence. I am not aware of any one advantage that is gained by all this trouble and confusion; I therefore recommend that whether Her Majesty's Government may decide to continue or withdraw the existing Proclamation in either case permission be at once given to keep the accounts of the local Government in Dollars and cents in the same way as the accounts of every Foreign and Mercantile Establishment in China are kept. I find that both the Legislative and Executive Councils of the Colony have already unanimously recommended this change.

12. As regards the Proclamation I am of opinion that it should forthwith be revoked because in the first place it is wholly inoperative, secondly, because the systematic evasion of it which circumstances have forced on the local Government is calculated as Mr. Arbuthnot has pointed out, to bring discredit on the functions of Government, and above all because of the insecure foundation upon which the present practice rests, inasmuch as the legality of the judicial decision of 1854 may I think fairly be questioned, and as another Chief Justice now presides over the Supreme Court it might at any time be reversed. No time could be more favourable for making the change. I would therefore, as soon as the necessary arrangements can be made, withdraw the existing Proclamation and substitute for it another declaring the Dollar of Spain, Mexico and the South American States of full and proper weight and value the only legal tender. A local ordinance should *at the same time* be passed declaring that whenever British sterling money has been specified in any former Ordinance whether as payments to be made to or by the Government, such sums shall be received at or paid from the Treasury in Dollars and cents only at the rate of $\frac{4}{2}$ to the Dollar. I am thus brought to the consideration of what coin should be the legal tender in payment of sums less than one Dollar, but before recommending the course which I think should be adopted in this respect I must first explain the existing order of things.

13. There is no fixed rule established amongst the European and American community by which small payments are made. There are small quantities of British and Foreign silver and copper coins in circulation and these pass at different rates according to the caprice of the receiver in each case. Thus in one place if the Dollar be worth $\frac{4}{8}$, one shilling and two pence will be required for a quarter Dollar (25 cents), while in another one shilling and a half-penny will be accepted. Payments of this kind between other than Chinese are however very few, as may be imagined when I mention that the Manager of the Principal Bank here informed me that £5 worth of small silver and copper coins is sufficient each

month to settle all such payments in his Bank, fractional parts of a Dollar being always paid to Chinese at the Bank in broken silver by weight. The reason of this is that every mercantile Establishment and private family here has a Chinese servant called a Comprador by whom all domestic monetary transactions are settled. This man (who acts as a sort of banker and generally is required to find security) presents his account either in dollars or in cash which are converted into Dollars at the market rate, and receives payment generally by an order on a Bank for an even sum. The absence of any settled well-regulated currency for making change in domestic circulation has rendered it very difficult for Europeans to superintend their own household affairs, and the comprador system which is a very ruinous one, has therefore hitherto been almost a necessary evil. Wages, market and retail transactions, in short all payments whatever below a Dollar between Chinese are settled in cash - and this coin may therefore for all practical purposes be considered as the subordinate currency of the Colony.

14. The cash or "tsien" - the only coin issued by the Chinese Government is made from an alloy of copper *iron* and tutenague. It is circular nine-tenths of an inch in diameter and has a square hole in the centre by which the pieces are strung in parcels of a hundred for the convenience of counting and also of carrying. It is cast and not stamped or minted. The obverse bears the name of the province in which it is cast in Manchu writing on the right side of the square hole, and the Manchu word for money on the left. On the reverse are four Chinese characters, those above and below the hole giving the Emperor's name (as T'au Kwang, Kien Lung etc.) and the words "tung sau" signifying current money on the left and right of it. The weight of each piece should be 57.98 grains or one ounce, (tsien), and hence it is called by the same name, but modern pieces weigh from 62 to 64 grains each. The value of the coin as fixed by Government is the thousandth part of a tael's weight of silver at which rate about 700 would be equal to a dollar; but through the rapacity of the Provincial Governors - (there being Mints in most of the Provinces) or the fraud of the workmen employed, the coin has for many years been debased in the coarsest manner with iron dust and sand; and the price of it in the Canton market at present is about 1358 each for a tael, or 970 for the American Dollar. The cash thus made by the Government is not issued to the Public but only to the Imperial troops, and the issue is made to them at the market rate except that in every 100 taels 5 are issued at the rate of only 1,000 cash - thus causing a slight loss to the recipients. The value of the cash in the Canton market is fixed daily by the money brokers who meet in conclave and determine the price, which as far as I can learn appears to fluctuate above the intrinsic value of the coin according to the supply of it in the market.

15. I forward with this despatch specimens of the cash issued by the Chinese Government in each reign since the commencement of the present dynasty in A.D. 1644, an inspection of which will at once show the manner in which these coins have been depreciated especially during the present reign.

16. By the existing Proclamation Chinese cash are made a legal tender to the extent of the shilling sterling at the rate of 1200 for one Dollar but as 970 of even the present depreciated Government cash are equal to one Dollar, the Proclamation has in this respect as in others been a nullity.

17. Until very lately, however, a number fully equal to that specified in the Proclamation has passed in the Colony for a Dollar in consequence of the large quantity of spurious cash which has been in circulation throughout China for years, notwithstanding the strong measures taken by the Government to suppress the illicit manufacture of it, by awarding death as the punishment for forging. The established rule amongst the shop-keepers of the Colony until lately has been to accept cash in payment, provided each string did not contain more than a certain number of forged cash, but sometimes the proportion of the forged cash rose to one half and even seven tenths. This mixture of which I forward a specimen, went by the name of "current cash" and from 1200 to 1300 have usually been considered equal to a Dollar. The forged cash have however been gradually deteriorating in quality, and at last became so bad, owing to the operation of a gang of forgers who established themselves on the opposite shore of Kowloon, that the shop-keepers were obliged in self-defence some months since to come to an agreement not to accept in payment any but Government cash, which last alone now pass current here at the same rate as in Canton i.e. at present 970 to the Dollar.

18. Such changes as these in the domestic currency of the country bear with peculiar hardship upon the poorer classes. For the sellers of commodities being fewer in number and generally more intelligent than the purchasers, take care whenever a fall takes place in the value of the cash, if they have not already anticipated it, to raise the price of their commodities at once; but when as lately the cash rises in value the old prices are maintained as long as possible and until they are forced down by competition — the effects of which wholesome principle are slower in China than in any other part of the world, in consequence of the combinations which exist amongst the members of all trades and guilds. Thus for example complaints have been made to me, and I believe with truth that the prices of all commodities in the market here in cash are the same now as before the recent increases in the value of that coin of nearly 25%, and I have in consequence been urged to adopt the short-sighted expedient of fixing as at Macao by legislation the prices of all articles in the market.

19. As regards therefore the suggestion referred to in the Despatch to which I am replying — that Chinese cash should be declared a legal tender at a fixed rate I need only, I think, observe that the existing Proclamation does so and that it is a dead letter — and I think that considering the circumstances under which alone this coin is issued by the Chinese Government, which I have fully described any similar regulation must prove similarly inoperative.

20. The remedy which I recommend is that the Colonial Government should coin and issue cash at the rate of 1000 to the Dollar and that such coin be made a legal tender to the amount of one Dollar. The new British cash should resemble the Chinese cash in appearance - have a square hole in the centre for the convenience of stringing - and weigh not less than one ounce (57.98 grains). The Shroffs and Compradors connected with the Banks whom I have consulted place great importance upon the weight being as near as possible one mace. The coin might be made of bronze, or of an alloy of copper and some other cheaper metal; and the intrinsic value of it should be so much below the rated value of 1000 to a Dollar as would cover the expense of coinage, and prevent any possible fluctuations in the market price of the metal contained in the coin withdrawing it from circulation. These points being provided for I think considering the eccentric People with whom we have to deal it would be desirable that the new cash should if possible be intrinsically worth less than the cash issued by the present Chinese Government - and at first I would recommend that it should be made as much superior to that now being issued as could be done without loss. I have been unable to ascertain the value of the metal contained in 970 cash of the present Emperor, but I assume that as no coin can pass current for less than its intrinsic value the market price of the metal cannot at all events be greater than one Dollar and that no difficulty will therefore be experienced in issuing from the Treasury here 1000 British cash for the Dollar at least equal to the present Chinese issue. I must however leave the question of value to be decided by competent authorities at Home after an analysis of the specimens enclosed; and I have arrived at the conclusion after comparing the price of copper, tin, coals and skilled labour in the two places, as well as the greater value of money here, and the consequent profit on remitting it, that the coins should be manufactured in England and sent out here.

21. I enclose a drawing of the design for the coin with the inscriptions in English and Chinese which I would recommend should be borne upon it. I feel little doubt but that such a coin would supplant the Chinese cash amongst the population of Hong Kong and the entire neighbourhood from whence the market supplies of the Colony are drawn - and I feel satisfied that by the Government retaining the issue in its own hands and limiting it to the quantity necessary for the purpose of change and also by limiting the amount for which it would be a legal tender, the value of the coin would be sustained on a level with that of the Dollar according to the rate assigned to each by law.

22. If therefore Her Majesty's Government approve my recommendation I would suggest that 20 millions cash be forthwith ordered in England and sent out here. I do not think that less than this quantity would be sufficient to commence with considering that the population of the Colony now exceeds 100,000 and that it would allow but 200 cash (or 20 cents) per head. I have not overlooked the question of weight. The weight of 20,000,000 cash each weighing a mace (or one tenth of a tael of 579.84 grains troy) would be about 74 tons. The rated value would be 20,000 Dollars. The freight on 74 tons from England to Hong Kong at 12 Dollars (£2-10-0) per ton

would amount to 888 Dollars or nearly $4\frac{1}{2}\%$ on the rated value. The insurance may be rated at $1\frac{1}{2}\%$. The two together amounting to 6 per cent; but this addition to the cost of the cash would be more than covered by the profit on remitting money to England which is seldom less than ten per cent.

23. The Dollar and the cash would as at present perhaps be found sufficient to carry on after a manner all monetary transactions in the Colony; but I should also at the same time strongly urge the issuing of two other coins to make the system complete. One a copper coin to be called a cent, and to be a legal tender to the amount of a Dollar, at the rate of 100 to a Dollar. The other a silver coin to be called a ten cent piece, and to be a legal tender to the amount of 2 Dollars, at the rate of ten for one Dollar. I think the cent especially desirable because without it all fractional parts of a Dollar, which in Government, Banking and mercantile accounts, never descend below a cent, would have to be entered in cents and settled in cash which would be both burthensome and inconvenient. I do not think that the intrinsic values of these coins which would circulate chiefly among Europeans would be a matter of much consequence so long as they were below their rated value to an extent that would cover the expense of their coinage and insure their remaining in circulation. The quality and weight of the cent might be the same as that of the East India Company's cent coined in 1845, a few of which are in circulation and which in size and weight is found to be a convenient coin. As regards the weight of the ten-cent piece the Chinese authorities whom I have consulted consider it desirable that it should be made by means of alloy as nearly as possible one tenth of the Dollar in weight or 41.6 grains. I agree in this opinion; but as the English six pence weighs only 44 grains the ten cent piece would require more alloy than the English standard.

24. I enclose drawings of the cent and ten-cent piece showing what I consider would be appropriate inscriptions for each in English and Chinese. I would suggest that the Colonial Government should only make use of these coins in the same way as the cash in the payment of sums below a Dollar and that they be sold to the Public at the Treasury only in exchange for Dollars and I consider that the limitation of their quantity and the limited amount for which they will be a legal tender will ensure their passing current at all times at the rate assigned to them by law.

25. These coins like the cash should for the same reasons be manufactured in England, and the following quantity of each would be required to commence with, namely,

| | |
|-------------------------|----------|
| 1,000,000 cents | \$10,000 |
| 100,000 ten cent pieces | \$10,000 |

26. I assume that the total expense of the coinage will fall on the Colony and the profit, if any, be allowed to the Colony; but it will be seen that the object I have kept in view in my recommendations has not been to make any profit for the Colony, but simply to establish, without loss, a subordinate currency to the

Dollar on sound principles - a measure which cannot fail I think to give a great impetus to the trade and prosperity of the Colony. It will also I believe prove a great boon to soldiers and Europeans with small means, as well as to the poorer class of Chinese by lowering the prices of all the necessaries of life.

27. Concurrently with the withdrawal of the existing Proclamation the Lords Commissioners of Her Majesty's Treasury would have to issue instructions as to the rate at which the Dollar should be paid to the Naval and Military Services. Upon this subject I would only observe that while I admit that it would not be fair to charge to the Soldier or Sailor the loss on the course of exchange which is now and has been for some years so adverse to England. I do not think that the expensiveness of the place forms (as has been urged) any ground for issuing to those services the Dollar at $4\frac{1}{2}$, or any rate below the par founded on the average relative value of gold and silver in the European market. It has been calculated from a comparison of the relative value of the sovereign and Dollar here and of Bills of Exchange in England, that money is more valuable here than in England by about 7 per cent. If therefore the currency of the place had been British sterling, sovereigns could only have been raised here by the sale of Government Bills at about $21\frac{1}{5}$ but they would nevertheless have been issued at 20/-; and this loss on exchange which is merely an accident of the condition of trade is fairly chargeable to Government who on the other hand profit by raising sovereigns in Australia and other Colonies where the Exchanges are favourable to the mother country. But to issue the Dollar here which costs $4\frac{1}{2}$ at $4\frac{1}{2}$ if the true par be $4\frac{1}{4}$, on the ground of the expense of living here would simply be equivalent to issuing on the same account the sovereign (costing $21\frac{1}{5}$) at the rate of 19/- instead of 20/-.

28. The Military and Naval Services may I think fairly claim to receive their pay and allowances in the currency of the place to which they are sent on duty, and the expense of the place is a very fair ground for increasing the pay and allowances, but I think it better for many reasons that this increase should be given in the shape of an actual addition instead of by the issue of Dollars below their real value. I would recommend therefore that after a consideration of all the circumstances of the case a China rate of pay and allowances be established, and that if possible it be announced in Dollars, the currency of the place, instead of in sterling which has to be converted into Dollars at a given par and which must always give rise to unpleasantness and dissatisfaction.

29. The withdrawal of the existing Proclamation would be a good opportunity for accomodating the Post Office receipts to the general currency of the Colony. The Postal revenue belongs to the Imperial Government and a proportion (one penny in each half ounce letter) is allowed to the Colony to pay the expenses of the local establishment. The Postal rates are fixed by Treasury warrant in sterling and so long as the Proclamation of 1844 remains unrepealed, sterling money cannot be refused if tendered at the Post Office. There is, however, so little British sterling money in circulation

and the saving that would be effected by obtaining it is a matter of so little moment to the merchants whose Post Office accounts are settled monthly, that two thirds of the revenue of the Office is received in Dollars at $4/2$. From the Dollars so received the Colonial share is deducted and paid into the Treasury in Dollars at $4/2$ - and for the balance of the Dollars a Bill is drawn on London in sterling for the amount - calculating each Dollar at $4/2$ the rate at which it was received - is purchased and remitted to England; the profit on the Dollars about 12 per cent being given by the Imperial Government to the Colony. The sterling money being received at the Post Office - there being no way in which it can be disposed of without loss - is paid into the commissariat chest where it accumulates and will I suppose have eventually to be remitted to England. Thus the Colony derives the profit on the Postages paid in Dollars and the Imperial Government bears the loss on these paid in sterling which appears to me to be by no means an equitable arrangement.

30. I would suggest as a remedy that the Colony be allowed to provide postage stamps and that the postal rates be inscribed on them not in sterling but in cents at the rate of $4/2$ to the Dollar; (thus a $-/6$ rate will be 12 cents) that the use of these stamps be made compulsory. The practical result of this would simply be that all postages would be paid in dollars at $4/2$ instead of only a large proportion of them as at present; and the whole of the Imperial share would then be remitted home by the Colony in Bills of Exchange free from all loss. The expense of the stamps would fall on the Colony, and the Colony would derive the profit on remitting the Imperial share as long as the exchange continued unfavourable to the mother country. The Colony should therefore bear the loss on remitting if the Dollar ever were worth in exchange less than $4/2$ - as in 1849 when it fell to $3/11\frac{1}{2}$ - equivalent at a par of $4/2$ to 5 per cent premium sterling - and I do not think it an impossible contingency that the balance of Trade may again become as formerly unfavourable to China now that so many new ports have been opened which may become consumers of imports but have no exports suitable to foreign trade to give in exchange.

31. I will now as briefly as possible recapitulate my proposals in the order in which they should be carried out.

- 1st. I recommend that the Treasury instruction requiring the Colonial accounts to be kept in pounds and shillings be forthwith withdrawn, and the accounts at once kept in Dollars and cents.
- 2nd. that as soon as the necessary arrangements can be made the Proclamation of 1844 be revoked and another substituted for it declaring the Dollar and its parts the only legal tender in Hong Kong.
- 3rd. that a local ordinance be at the same time passed converting all items of either revenue or expenditure calculated in former ordinances in pounds, shillings and pence into Dollars at the rate of $4/2$. And that in all

subsequent Legislation money calculations be expressed in the currency of the place.

- 4th. that concurrently with the publication of the Proclamation and ordinance referred to, the undermentioned coins be issued at the Treasury to the Public in payment of sums below a dollar and in exchange for Dollars to all who may desire to purchase them.

A cash - a coin composed of some cheap alloy - weighing as nearly as possible 58 grains and representing one thousandth part of a Dollar. The coin to be a legal tender up to a certain amount only, 'say one Dollar'.

A cent - a copper coin representing one hundredth part of a Dollar, and a legal tender up to the same amount as the cash.

A ten cent piece - a silver coin weighing 41.6 grains representing one tenth part of a Dollar - and a legal tender up to the amount of two Dollars.

- 5th. that the Home Government cause the coins specified above to be procured in England at the expense of the Colony - and that the following quantities of each be sent to commence with -

| | |
|-------------------------|----------|
| 20,000,000 cash | \$20,000 |
| 1,000,000 cents | \$10,000 |
| 100,000 ten cent pieces | \$10,000 |

These would have to be followed by constant additional supplies the extent of which can be determined hereafter. As there is a profit to the Colony on all payments which can be made in England, the insurance, freight, shipping charges, and every expense on these coins should be paid in England. And in the hope that Her Majesty's Government will sanction these proposals and to avoid any delay on the score of funds, I have ordered the sum of £8,000 in Bills at six months to be forthwith remitted to the Agent General for Crown Colonies.

- 6th. that concurrently with the passing of the new Proclamation the Lords Commissioners of Her Majesty's Treasury shall issue instruction as to the rate at which the Dollar is to be issued to the Military and Naval Services serving in China; or if possible, what would be far better, a China rate of pay and allowances for those services be announced in Dollars, in the same manner as the pay and allowances of the troops serving in India are fixed in rupees.
- 7th. that the postal receipts be accommodated to the currency of the Colony by the issue of postage stamps and by the

payment here of the British rates in Dollars at 4/2. If legislation be necessary to effect this, and that it be within the province of the local legislature (a point which I must leave to be decided by the Law Officers at Home) provision might be made in the local ordinance already referred to in the 3rd recommendation.

32. These arrangements are I conceive all that would be necessary to reduce the present confusion to order. They can be carried out without expense to the Imperial Government or loss to the Colony. And all those whom I have consulted - Bankers and merchants as well as Chinese - agree that they would be favourably received by all classes of the community.

I have the honour to be,
My Lord Duke,
Your Grace's most obedient servant,

HERCULES ROBINSON

DOCUMENT NO. 36

**Dispatch from Sir Richard Graves MacDonnell to the Earl
of Carnarvon, No. 172. 13 December 1866 on the subject
of the failure of the Hongkong Mint** CO 129/116

No. 172

Government House,
Hong Kong, 13 December 1866.

My Lord,

I have the honor to transmit herewith a copy of the Report presented by the Commission of Enquiry, which as stated in my dispatch No. 136 of the 13th October, I had appointed to enquire into the prospects of the Mint. That Report was delayed by various causes to an unexpectedly late period but nevertheless reached me in time to have it forwarded by last mail. I reflected however that the main object of the Enquiry had been to place before Her Majesty's Government such a complete analysis of the circumstances affecting the progress of the Mint hitherto and likely to influence its future prospects, as might enable your Lordship to give me definite instructions, as to continuing or discontinuing the present heavy expenditure connected with it. I therefore felt that it might greatly assist your Lordship to know the opinions of the leading Bankers here on the statements and arguments used in the Report.

2. The Banks as the great dealers in coin and bullion must necessarily be the principal sources of supply to the Mint and it may be assumed that when they can use the Mint with profit they will do so - but not otherwise. It was therefore expedient to

give them an opportunity of expressing their views in their own language and I thought it so important that should do so that I have detained the Report for that purpose.

3. Accordingly I requested Mr. Kresser the Manager of the leading local Bank, The Hongkong and Shanghai Bank - to obtain in such manner as he thought most expedient the opinions of his colleagues, and I now enclose a copy of his reply, and of letters from the Managers of the Oriental, the Comptoir d'Escompte and the Chartered Mercantile Banks. I regret however that persons necessarily so familiar with the laws regulating the supply and demand for coin and bullion in this part of the world have not been more liberal in imparting detailed information. Yet even so, as will presently appear, that which they do give is highly important.

4. I likewise transmit copy of a letter addressed by Mr. McKenzie to my predecessor Sir Hercules Robinson, who took so prominent a part in establishing the Mint. Sir Hercules attached so much importance to that letter that he favoured me with a copy in time to lay it before the Commission of Enquiry which I was the more anxious to do as he mentioned having already semi-officially transmitted it to your Lordship's Department.

5. That letter adverts amongst other things to some calculations of the Auditor General Mr. Rennie forwarded in my dispatch No. 103 of the 27th August. I therefore submitted it to Mr. Rennie whose explanations and remarks I also enclose, as I consider them well founded and deserving your Lordship's attention.

6. The sums already sunk in building, establishing and maintaining the Mint and its staff enter so prominently and frequently into the general argument that I have procured from the Auditor General a reliable return of that expenditure. I have myself gone very carefully into the details, which shew \$445,709 as the sum expended, but other items due in England and alluded to in the return raise it to at least \$450,000 up to the commencement of this month.

7. On the other hand it is right to shew the apparent profit made by the Mint. This Mr. Rennie puts at \$10,321 diminished by the conversion into subsidiary coinage of dollars for which the Colony was receiving six per cent, and also by the additional loss of eight per cent on money borrowed to meet current expenses, whilst that subsidiary coinage lies unavailable in the Treasury - thus reducing the nominal profit to almost nothing.

8. Of all the enclosed documents that which gives the most continuous and best resume of the entire subject is unquestionably the Report of the Commission appointed by myself. It treats seriatim the seven propositions submitted by me for its consideration, the whole of which had more or less direct reference to the probability of the Mint being rendered a *paying concern* - that being the question, whose solution is of most immediate interest in the present financial state of the Colony.

9. The first question as to the practicability of increasing the coining and melting power of the establishment so as to ensure its becoming profitable, if supplied with sufficient silver, may be regarded as disposed of in the affirmative, it being really only a question of sinking more capital in the concern, as machinery in every way suitable and sufficient is procurable for money.

10. The second proposition is really the main subject of enquiry viz. whether if the Mint be mechanically all sufficient, there is reasonable prospect of the Public supplying it with enough silver to keep it in successful i.e. paying operation. On that, the all important point, the Commission holds out no hope that unless under rare and exceptional circumstances unlikely to recur, or if recurring, not likely to be of long duration - can it be expected that the Public will pay a seignorage for conversion of silver coin or bullion into Hong Kong dollars. The Commission further concludes that neither the Government nor the general Public can purchase bullion and profitably coin it here, to which I may add that if the Government were to lay in a stock of bullion for such purpose it would generally suffer a heavy loss thereby in interest which no probable profit could repay.

11. The Commission likewise regards as chimerical all attempts of the Government by any amount of coinage to force Hong Kong coins to such a premium as might eventually render its manufacture profitable. I need scarcely say that I only suggested that theory for consideration because, having been held by many others, an inquiry to be complete should include it.

12. The possibility of improving the position of the Government in such operations by increasing the producing powers of the Mint is also negated by the Commission, as the Chinese market ordinarily offers no premium of two per cent for silver either in large or small quantities, merely because it may be moulded into the shape of Hong Kong dollars. Nevertheless, if varying Exchanges or other circumstances, as admitted by the Commission, may occasionally render minting profitable, it is clear that the more perfect the machinery and staff available for reaping such brief harvests, the more profitable would the Mint be and in fact ability to avail itself of those rare occasions would be its only chance of profit, as it might have only two or three weeks wherein to earn its year's expenses.

13. As to profit from subsidiary coinage it is clear, as those coins contain twenty per cent alloy, they would in that way return one hundred dollars for eighty, only that the Colony unfortunately cannot easily get rid of the one hundred dollars so manufactured. In fact I now pay eight per cent for dollars borrowed for current expenses, whilst the Treasury vault actually holds at this moment more than \$100,000 of subsidiary coins. The Commission has therefore prudently abstained from estimating the profit derivable from this source, till the limit of the market for that branch of the manufacture can be ascertained.

14. Finally whilst the report of the Commission gives no hope whatever of the concern paying its way either through public support or as a Government speculation, it gives scarcely more encouragement, when it suggests negotiations between Her Majesty's Government and the Authorities of China, and Japan with a view to changing the ancient usage of those countries and inducing them to except the British dollar from the present ultimate destiny of all foreign coins, viz. a common extinction of individual character in the Imperial melting pots. Such recommendation does however afford a good practical commentary on the comparisons instituted between the Hong Kong and the Indian Mints. All that can be attained by the proposed uncertain negotiations for the Hong Kong Mint - and which it seems is regarded as essential to its success - is at once secured for Indian Mints by the market for rupees afforded by the 150 millions ruled directly or indirectly by the Indian Government. To make the Hong Kong and Indian Mints parallel cases it would be necessary to make me Emperor of China as well as Governor of Hong Kong.

15. Supposing however such negotiations successful, and that China consented not to melt British dollars and even to make coins - not "shoes" and bars - the legal currency of the Empire, what probability is there that those coins would be minted for China at Hong Kong and not at Peking or some other Chinese city? Moreover if such negotiations be commenced, who can foresee their termination and who can look forward to any practical issue sufficiently early to guide the action of this Government, till the attainment of a victory over the ancient habits and prejudices of the most prejudiced nation in the world? Is it reasonable because we have built a Mint to insist that our neighbours who have no interest in the speculation shall foster and protect its produce? How much better if the negotiations had preceded the building.

16. I would next invite your Lordship's attention to the enclosed opinions of the leading Bankers on the probable fortunes of the Mint and regret much that the fruits of their great practical experience hold out no more cheerful prospect than the Commission of Enquiry appointed by myself.

17. Of the four Bankers, one, the Manager of the Oriental Bank "quite agrees with the Commission". The Manager of the Chartered Mercantile Bank, thinks, as does the Commission, that to make the British dollar pass in China is hopeless without the aid of the Chinese Government. The Manager of the Comptoir d'Escompte says that there is no hope for the Mint unless the Hong Kong Dollar be made more tempting by containing more silver than other dollars or by forcing it on the population of the neighbouring Ports and Straits, extreme measures which he justly pronounces "impracticable" and "impossible".

18. Mr. Kresser Manager of The Hongkong and Shanghai Bank concurs generally with the Commission and also declares a foreknowledge of what must necessarily be uncertain, viz. the circumstances regulating the course of Sterling and Indian exchanges to be requisite to prognosticate the success of the Mint but points

out circumstances in which occasionally the ruling exchanges might render minting temporarily profitable.

19. On the other hand Your Lordship can oppose Mr. McKenzie's letter to the views of the Commission, framed after long protracted and anxious consideration and to the opinions of the Bankers whose profession it is to study the course of exchange and all possible profitable dealings with coin and bullion.

20. That letter embodies in a convenient shape the florid talk which may be harmlessly indulged in by gentlemen who have no responsibility and are not called on to provide funds to meet the expenditure essential for any costly and protracted experiment, whose solution they desire. It is not perhaps important if Mr. McKenzie pronounces the "financial success of the Mint a question apart" he merely thereby puts himself out of court altogether in an enquiry where financial failure is the principal difficulty that meets Her Majesty's Government and myself. It would however be very absurd in me and the Commission to waive aside that consideration and "bid it pass" with all the grand indifference to paltry objection, which induces Mr. McKenzie to pronounce "financial success" a condition over which the "Government can have no control" - whilst he designates those who differ from him "Colonial Croakers".

21. And here I may pause for a moment to enquire who had the greatest interest in promoting the successful operations of the Mint. I presume it is not those whose connection with the Colony is severed, but those who remain and have to make good by increased taxation the deficiency caused by financial operation such as is now under trial. Perhaps no one has more direct interest in that success than myself, as its absence entails on myself the immediate responsibility and personal odium of increasing taxation to replace funds absorbed by the Mint.

22. Mr. McKenzie however thinks the latter could succeed if "properly administered" and if it had "fairplay" whilst throughout, though guarding himself by saying he is not competent to speak on the efficiency of the Staff, he conveys the idea that its inferiority is one cause of the Mint's failure and that it is unequal to its duties, asserting that the Government should do its duty by providing an effective staff as well as requisite machinery. Both the Staff and machinery however were sent from England under the direct superintendence of Her Majesty's Government, and though there was unavoidably much local experience to acquire on the part of the former, and they have at least learned the folly of expecting Public support unless the Public can profitably use the Mint. I will venture to say that it would be extremely difficult for Her Majesty's Government to replace the superior officers of the existing staff with advantage and I entirely agree with the remarks of the Commission of Enquiry on that subject.

23. Machinery originally supplied was utterly insufficient, and for that reason when I invited Mr. McKenzie to visit the Mint in my company last September and saw the superiority of a French Press

then newly put up I suggested to Mr. Kinder (the Master of the Mint) the expediency of making a requisition for additional machinery of the same class. He made that requisition and it was then that the propriety of incurring the requisite expense caused enquiry into the general prospects of the Mint in order to procure information for Your Lordship before sanctioning such outlay. Hence it appears that this Government anticipated Mr. McKenzie's suggestions and was as anxious as he to secure "fairplay" to the Mint although at the same time it did not overlook fair play to the Colony - a matter apparently wholly beneath Mr. McKenzie's notice.

24. It may be also useful to know also that Mr. McKenzie's allusion to "the alleged disinclination of the Chinese in the Colony for the new dollar" has no foundation in fact. On the contrary they apparently *slightly* prefer it, and at least are quite willing to take it and do take it for what it is worth, in fact they must do so as it is a legal tender, but they have no decided preference for it, notwithstanding that it is the coinage of a powerful "state of recognised good faith", and its mintage is carried on under the eyes of the Community. I am sorry to say that, despite such advantages, the Chinese are nevertheless insensible to any allurements of financial sentiment and exhibit no preference except for the greatest weight of silver and would seek that even in coins produced by "an anarchical state like Mexico".

25. Mr. McKenzie is equally inaccurate in another assertion, which is greatly calculated to mislead. He refers to the large quantity of silver sent to the Mint on its first opening, attracted by the Government concession of coining free of seignorage for one month, and states the "several millions of Mexican dollars were at once sent in". The tendency and, probably, the object of such an assertion is to attribute a preference, imagined by the writer, on the part of the loyal population here for the British dollar as British. Indeed very much of the loose reasoning and sanguine calculations of those who originated the Mint, is based on sentimentality of that description, which pictures a Briton carrying a dollar like a Union Jack, around the world.

26. Even Mr. Kinder, after residing here for months was infected with the same spirit and has more than once officially represented to me that as it had become impossible for the Public or the Banks to send silver to the Mint without loss the Government should supply it. The success of the Mint and the honor of the British Government depended in his eyes on keeping the furnaces lit and the presses at work whether at a loss or not.

27. I confess that I was in dread to go to extremes for the purpose of feeding the Mint and even borrowed money for its operations, nevertheless though I knew that I was not acting wisely I was loth to leave any stone unturned to enable the Mint to tide over what many regarded as a temporary depression and ill-luck. I have however recorded during these transactions my opinion that I was not doing right and that the operations of the

Mint were never meant to be guided by sentimental feelings but by calculations of profit and loss; whilst as to the honor of Great Britain it was not involved in the matter, and if it were, the Imperial Government could better afford to look after it than a small community already reduced to insolvency by its previous expenditure on the Mint.

28. I must not however forget to point out that not only was there no outburst of loyalty in sending several millions of Mexican dollars to the Mint with a view to obliterating the "anarchical stamp", but several millions were never sent (unless secretly by Mr. McKenzie); about one million and a quarter were offered. Of these nearly 150,000 were sent directly or indirectly on the part of this Government, whilst of the remainder I am sorry to state there was scarcely one "clear" dollar as almost all were chopped and injured, light in weight or for other reasons not easily got rid of. That description of silver was sent to the Mint at its first opening because there appeared then a chance of assaying and accounting into good dollars, free of all cost, some 100,000 ounces locked up in depreciated coin. In this instance therefore, as in all others, selfish calculation of profit and loss was the motive in influencing the customers of the Mint and most convenient motives they are, because they make it possible to gauge beforehand the utility of establishments whose success depends on the Public finding *profit* in using them.

29. I admit that it is very disheartening to find that there is an immense stream of silver constantly flowing into and out of this Colony and that nevertheless none of it can be turned through the Mint. Since the commencement of the present year, according to the returns received from Mr. G. Sharpe, the gentleman who prepares the fortnightly summary of bullion imports and exports for each mail - there has been imported into Hong Kong (including Canton imports) at least 29 millions of dollars and 11 million dollars of Bullion, or altogether 40 millions of silver, independent of 10 millions in gold - and nevertheless not a dollar has for months gone to the Mint except that which I have procured for it.

30. I may add that if the importations of silver had been twice as large, the chance of turning them through the Mint would not have been increased thereby unless pure bar silver could have been purchased $2\frac{1}{2}\%$ below par. It is at present quoted at 9 per cent premium above the dollar - taking the latter at 90 - being the proportion of pure silver which it contains out of 100 parts. Sycee cannot therefore be profitably purchased for the manufacture of dollars which manufacture involves a cost of 2 per cent for seignorage, $\frac{1}{4}$ per cent premilling charges and say $\frac{1}{4}$ per cent for loss of interest &c. &c or a total cost of $2\frac{1}{4}$ per cent unless the price of sycee falls to at least 96 taking its intrinsic value at $98\frac{1}{4}$ and that of the dollar at 90 which values finally regulate prices, whatever fluctuations may "ad interim" affect them.

31. Nevertheless the probability of soon converting Bullion into the more convenient form of dollars without loss is increasing, and with a view to facilitating the operation I yesterday in

Executive Council passed a resolution lowering, until further notice, the charge for seignorage from 2 to 1 per cent. I propose also, the moment any Bullion is premilled and assayed, to issue for each amount Treasury Certificates, payable in 30 days, or sufficient time to cover the Minting period. These certificates will be negotiable securities and the silver be thus rendered available to the owner even during the process of minting.

32. I do not anticipate any very great result from these increased facilities to the Public, but they will help, and at least, will give increased experience. I have further a wish to meet Chinese views so far as to adopt their own standard of weight and fineness, and issue for general use coins representing Taels of pure Sycee. I enclose a rough specimen of one manufactured by Mr. Kinder, which at least shows the weight and thickness of such a coin and if the Chinese Government would employ the Mint in converting their silver into such taels instead into the present unwieldy shoes of silver in use through the Empire great advantage would result to the general interests of commerce, as well as to the Mint.

33. I now approach the most important consideration viz. what action Her Majesty's Government should take on the information thus supplied. It is clear that the Commission of Enquiry and the Bankers all form very desponding views of the prospects of the Mint unless the Chinese Government can be induced to adopt the British dollar which I fear is not very likely. The adoption of a tael piece seems more probable and even then its coinage in Chinese mints would in all likelihood be the final result.

34. Nevertheless the Commission and the Bankers and the general Community would view with great regret the early closing of an Establishment on which so much money has been expended. The feeling is natural and personally I quite sympathize with it, but as I have already more than once observed the question is not to be decided by mere feelings and wishes.

35. The Commission reports success improbable and public support not to be hoped for unless under those rare and fortunate combinations on which it would be unwise to calculate except for few and brief periods. These premises lead irrevocably to one of two conclusions. 1st. that the Mint if not expected to be profitable should be closed at once, the expense attending its closing being the same now as in several years hence, whilst instead of there being any saving by deferring it, there is on the contrary the certainty of the additional cost of maintaining the expensive establishment during the interval. 2nd. that, if the Mint be kept open, its establishment and machinery should be maintained at a greatly increased strength, so as to enable it to take advantage of the brief periods when minting may become profitable to the Public.

36. Nevertheless the Commission hesitates to recommend either of those alternatives for they do not advise increasing the Mint's mechanical power and nevertheless they do advise keeping the

establishment open. That advice would therefore entail a continuance of the present costly expenditure, without affording any additional chance of recouping it when an occasion might offer.

37. I therefore disagree with a conclusion that so obviously contradicts the premises. I cannot moreover but feel when this colony is without funds to meet its liabilities, and is actually obliged to give up the construction of roads, and even the drainage of a portion of the town, as well as to abandon other works of public utility in consequence of the pressure occasioned by the large capital already sunk in establishing the Mint, whilst fresh taxation to a considerable amount has recently been imposed to meet the current expenditure it would appear extremely hard to insist on this Community continuing a large annual expenditure on an undertaking whose success is pronounced by most competent parties to be extremely improbable if not altogether hopeless.

38. In the interests of the Colony I can only say that further colonial expenditure on the Mint appears most undesirable and that the establishment, if closed at all, should be closed as soon as practicable. If however Her Majesty's Government takes a different view and considers that the Colony should continue to expend a large portion of its income, between 60,000 and \$70,000 per annum on the Mint, I have only to request that such decision should be clearly conveyed to me as an instruction from Her Majesty's Government, and I shall not fail to exert myself to the utmost to give full effect to it, for most heartily shall I rejoice if the forebodings of the Commission and the Bankers be disproved by future results.

39. On the other hand though I consider it unfair to impose on the small community residing here further expense and taxation to solve a problem of no more interest to Hong Kong residents than to Her Majesty's subjects in Shanghai and Japan, or even in Lombard Street. I cannot but feel that as the establishment of the Mint was really as much if not more an Imperial than a Colonial suggestion, and as the Colony has now expended 450,000 dollars in carrying out that suggestion, Her Majesty's Government on whom must devolve the conduct of future negotiations with China may fairly be expected to do something in their turn for a scheme, which certainly is not and ought not to be regarded as one to be worked out at the sole expense of the inhabitants for the time being of this small Island.

40. Whilst I therefore must respectfully suggest the unfairness of compelling the residents of Hong Kong to defray all the cost of solving the interesting problem in Political Economy, I would venture to hope that Her Majesty's Government for a period at least sufficient to test the views of the neighbouring Governments and thoroughly work out the experiment will consent to maintain the establishment at Imperial expense and place it in a condition enabling it to reap every advantage from favourable chances when they do occur.

41. Mr. Kinder reports the average working power of the Mint to be 50,000 dollars daily, as he has been enabled, during his long season of repose, to test the English presses more thoroughly and to put them together more perfectly, and has discovered that they can turn out as many though not so well finished dollars in the day as the French press or an average of 15,000 dollars each. That discovery ought to have been sooner made, and its accuracy is not so reliable as might be wished because Mr. Kinder's sanguine temperament has already led him more than once to anticipate and promise too much. I now enclose his explanation of the impaired working powers of the English presses, which apparently amounts to no more than that the bearings of the machinery were originally roughly finished and subject to heating, a defect cured by use, a result which I should have supposed ought to have been foreseen and its cause understood earlier.

42. There is however ample space for ten or twelve more presses, and, at a comparatively trifling cost, the milling power of the Mint might be sufficiently raised. It should however be borne in mind that no scheme can be successful which does not contemplate a milling and coining power of nearly 200,000 dollars per day, when required.

43. Therefore nothing more is needed for a full trial of the experiment except a further outlay, which it is evident this Colony cannot afford, but which can easily be defrayed if Her Majesty's Government so wish, from the Colonial contribution at present paid for Military protection and which might be temporarily suspended. I therefore earnestly hope that in deference to the strong feeling of the Community and the opinions both of the Commission and the Bankers Her Majesty's Government may decide on not closing the mint without a further and more complete trial with such favourable aid as may be procurable from neighbouring Foreign Powers.

I have the honor to be,
Your Lordship's most obedient servant,

RICHARD GRAVES MACDONNELL

Governor.

DOCUMENT NO. 37

A Table showing the Depreciation of the Silver Dollar in Hong Kong between 1870 and 1930. The Table is constructed from information given in "Historical and Statistical Abstracts of the Colony of Hong Kong 1841 - 1930". Third Edition Printed by Morohna & Company, Government Printers, Hong Kong. 1932.

The rate shown is that existing at the end of the year.

| | | | |
|------|------------------------|------|-------------------------------------------|
| 1870 | 4/4 | 1900 | 2/1 and 1 sixteenth |
| 1871 | 4/4 $\frac{1}{2}$ | 1901 | 1/10 and 5 sixteenths |
| 1872 | 4/4 | 1902 | 1/7 and 1 sixteenth |
| 1873 | 4/1 $\frac{1}{2}$ | 1903 | 1/8 and 15 sixteenths |
| 1874 | 4/1 $\frac{1}{4}$ | 1904 | 1/11 $\frac{5}{8}$ |
| 1875 | 3/11 $\frac{7}{8}$ | 1905 | 2/0 $\frac{5}{8}$ |
| 1876 | 4/1 $\frac{1}{4}$ | 1906 | 2/3 and 3 sixteenths |
| 1877 | 3/10 $\frac{7}{8}$ | 1907 | 1/9 and 13 sixteenths |
| 1878 | 3/6 $\frac{3}{4}$ | 1908 | 1/8 and 13 sixteenths |
| 1879 | 3/9 $\frac{7}{8}$ | 1909 | 1/9 and 3 sixteenths |
| 1880 | 3/9 $\frac{1}{2}$ | 1910 | 1/10 |
| 1881 | 3/8 $\frac{1}{2}$ | 1911 | 1/10 and 7 sixteenths |
| 1882 | 3/7 $\frac{3}{8}$ | 1912 | 2/1 |
| 1883 | 3/8 $\frac{1}{2}$ | 1913 | 1/11 $\frac{1}{2}$ |
| 1884 | 3/6 $\frac{1}{2}$ | 1914 | 1/8 $\frac{1}{2}$ - 1/9 $\frac{1}{2}$ |
| 1885 | 3/4 $\frac{1}{8}$ | 1915 | 1/11 |
| 1886 | 3/3 $\frac{1}{2}$ | 1916 | 2/4 $\frac{1}{2}$ |
| 1887 | 3/1 $\frac{1}{2}$ | 1917 | 3/0 |
| 1888 | 3/0 $\frac{1}{2}$ | 1918 | 3/4 $\frac{1}{2}$ |
| 1889 | 3/1 $\frac{1}{2}$ | 1919 | 6/2 |
| 1890 | 3/5 | 1920 | 3/2 |
| 1891 | 3/1 | 1921 | 2/6 $\frac{1}{2}$ |
| 1892 | 2/8 $\frac{1}{2}$ | 1922 | 2/2 $\frac{1}{2}$ |
| 1893 | 2/3 | 1923 | 2/3 $\frac{1}{2}$ |
| 1894 | 2/0 | 1924 | 2/4 |
| 1895 | 2/1 $\frac{5}{8}$ | 1925 | 2/4 $\frac{1}{2}$ |
| 1896 | 2/1 and 7 tenths | 1926 | 1/11 |
| 1897 | 1/11 and 11 sixteenths | 1927 | 2/0 |
| 1898 | 1/11 and 9 sixteenths | 1928 | 2/0 and 5 sixteenths |
| 1899 | 1/11 and 7 sixteenths | 1929 | 1/8 $\frac{1}{3}$ |
| | | 1930 | 1/1 $\frac{1}{8}$ |
| | | 1931 | 1/0 $\frac{1}{2}$ (average over the year) |
| | | 1932 | 1/3 $\frac{1}{2}$ " |
| | | 1933 | 1/4 $\frac{1}{2}$ " |
| | | 1934 | 1/6 3/16 " |
| | | 1935 | 1/11 5/16 " |
| | | 1936 | 1/3 3/16 " |

DOCUMENT NO. 38

Report of the Currency Committee. July 14, 1930

Hong Kong Sessional Papers 1930

Your Excellency,

We, the Currency Committee appointed by Your Excellency's predecessor, the Hon. Mr. W. T. Southorn, C.M.G., Officer

Administering the Government, have the honour to submit for Your Excellency's consideration the following report:-

I N T R O D U C T O R Y

GENERAL

1. We were appointed on the 28th of April, 1930, to make investigation with a view to supplying answers to the following questions, which represented our terms of reference:-

- (a) Is the present currency the most advantageous for the purposes of the trade of this Colony?
- (b) In what respects, if any, is the present currency situation in the Colony unsatisfactory?
- (c) If the situation is unsatisfactory in what way can it be remedied?
- (d) Is the premium on notes over silver detrimental to the prosperity of the Colony? If so can it be controlled and by what means?
- (e) Is the linking of the currency with silver advantageous to the Colony? If so can it be more closely linked?
- (f) Is it desirable in the interests of the Colony that the value of the dollar be stabilised? If so can any effective steps be taken to that end?

2. We issued in the newspapers a general invitation to the public to put forward their views and support them, if required, by oral evidence; we regret however to have to record our disappointment that this advertisement evoked only the most meagre response, and the opportunity thus offered was not availed of at all by advocates of a stabilised currency. We also issued individual invitations to persons who, we considered, were specially qualified to shed light on various aspects of the subject, and who were representative of all interested sections of the community. We received the written views of many of the principal merchants' and bankers' associations both Chinese and European in the Colony. We have also had before us the report of the Straits Currency Committee of 1903, of the Royal Commission on Indian Currency and Finance of 1926, and of the recent Kemmerer Commission in China. In all we have heard ten representative witnesses orally and held nine meetings.

3. All written evidence we have received, and all memoranda previously written on the subject, to which we have had occasion to refer in this report, are printed as annexures in Part III. The minutes of those meetings at which oral evidence was heard form Part IV. To complete the data before us, and for ease of reference we have appended in Part II all relevant Hong Kong ordinances and extracts from the supplemental Charters of the Chartered Bank, as well as a copy of the Order-in-Council by which the present currency system of the Colony is established.

HISTORICAL

4. Whilst Hong Kong was still a settlement under Her Majesty's Plenipotentiary and Chief Superintendent of the Trade of British Subjects in China, a heterogeneous collection of coins consisting of Spanish, Mexican and other dollars, East India Company's rupees and copper Chinese cash was proclaimed the circulating medium.

5. Shortly after the island was constituted a Colony, Mexican and other Republican dollars were on the 27th of April, 1842, proclaimed the standard currency of the Colony in all Government and Mercantile transactions.

6. On the 1st of May, 1845, by proclamation the gold, silver and copper coins of the United Kingdom, as well as Company's coins, were admitted to circulate side by side with silver dollars. This system persisted for some years, but as Government accounts were kept in sterling and revenue was received in coins of all kinds, its inconvenience led first of all in 1853 to an abortive proposal to oust dollars in favour of a sterling currency, and finally in 1863, to a proclamation whereby Mexican dollars and other silver dollars of equivalent value that might from time to time be authorised became the only legal tender of payment.

7. It is interesting to note that about this time the coming of a new Hong Kong dollar was undertaken in Hong Kong, but lapsed after about \$2,000,000 had been minted. This type of dollar is now obsolete and so rare as to be considered a curio. A new type, the British Trade dollar, afterwards came into popularity and its coinage was undertaken in India and London.

8. The present currency of the Colony was established by an Order-in-Council proclaimed in 1895, which we have reprinted in full in Part II, and which explains fully the nature of the legal tender coins. It is noteworthy that the Mexican dollar is made the standard, to which the British or any other dollar should conform if it is to be accorded equality of status. The Order-in-Council is noteworthy also as ordaining that, in the absence of express agreement to the contrary, in all contracts and transactions involving liability to pay money, payment should be made in the standard coin of the Colony.

9. There are practically no restrictions on the minting of British dollars by any one who is willing to pay the seigniorage. It is estimated that in all about 230,000,000 British dollars have from time to time been minted, many of which must by now have gone into the melting pot. Mexican dollars are not now minted, but are held as deposits against the issue of notes, and China must have absorbed a vast number of them. Of Mexican dollars also a large proportion must by now have been melted down. When the British Silver dollar was re-admitted into free circulation towards the end of 1929, its minting and importation into the Colony were resumed, and it is estimated that 24,000,000 of these have come in since that time, as well as \$6,000,000 Mexican from Shanghai. It is estimated that another 10,000,000 - 15,000,000 British dollars may arrive in the near future. The total amount of coined dollars of various

kinds deposited in the custody of the Hong Kong Government against note-issue by the three issuing banks was \$57,600,000 at the end of April, 1930. There are also subsidiary coins issued by the Hong Kong Government in circulation sufficient in amount for the purposes required. The nominal amount of these in circulation at the end of the year 1929 was \$17,914,370 and their market value stood practically at par; the amount of subsidiary coins in stock at the same date was about \$1,800,000.

BANK NOTES ISSUED IN HONG KONG

10. We have reprinted in Part II the Hong Kong Ordinances governing the ordinary and excess issue of notes by The Hongkong and Shanghai Banking Corporation and the Mercantile Bank as well as those portions of the Charter and Supplemental Charters of the Chartered Bank, which govern the note issues of that institution and the security therefor. The latest date up to which these banks are at present empowered to issue notes in the Colony is the 12th of July, 1939. We would invite particular attention to the requirement in the case of The Hongkong & Shanghai Banking Corporation of the deposit of an amount of coin never less than one-third of the total issue in circulation, a practice also followed by the Chartered and Mercantile Banks in regard to their Hong Kong issues, and also to the fact that The Hongkong and Shanghai Banking Corporation and the Chartered Bank have the option of securing a part of their issues by a deposit of bullion. Another significant feature of the system of note-issue in Hong Kong is that The Hongkong & Shanghai Banking Corporation enjoys an authority, not shared by the other banks of issue, whereby it may exceed its statutory limit to any amount by the deposit of an amount of coin or bullion equivalent to the value of the excess notes issued. The effect of this is that when the limits of the other two issuing banks have been reached any large emergency demand may only be met by The Hongkong & Shanghai Banking Corporation.

11. The privilege of issuing notes in the Colony was granted to the Chartered Bank in 1853, to The Hongkong and Shanghai Banking Corporation in 1866, and to the Mercantile Bank in 1911. The understanding or convention, by which notes became accepted in all banking, mercantile and revenue transactions almost as the sole medium of exchange apart from subsidiary coins, is said to date from about 1890 onwards; it subsequently became in fact a tacit agreement not to observe too strictly the terms of the Order-in-Council of 1895. The acceptance of this convention was almost universal and any attempt to depart from it by meeting obligations with coin tended to be suppressed by reciprocating in kind. The total daily average amount of notes of the three issuing banks in circulation during the month of April 1930 was over 91½ million dollars.

HISTORY OF THE SO-CALLED PREMIUM ON NOTES

12. The phenomenon of the local bank note or promise to pay becoming capable of purchasing a greater quantity of another currency than the number of silver dollars which it promises to pay could purchase has been a recurrent attribute of Hong Kong currency in a greater or less degree for at least thirty years; but the percentage

of this premium caused no serious inconvenience till 1908 when on it rising to $3\frac{1}{2}\%$ a move was suggested to remedy it by an unlimited Government note issue, as had been attempted in the Straits some years previously. At the suggestion of the Secretary of State for the Colonies this project for a Government note issue was abandoned, and the difficulties were solved for the time being by granting in 1911 the Mercantile Bank the privilege of note issue. During the war and post-war periods, when the price of silver was high, the problem did not arise; but after 1926, when silver declined in value, the divergence became marked, until in September, 1929, it represented a difference of 20%. The course of the premium is traced by Professor Robertson, Mr. Ferguson and Mr. Breen in their memoranda in Part III. Mr. Breen also gives an account of the attempts made to remedy a situation, which was becoming more and more difficult to handle, as the continued fall in the value of silver tended to aggravate the premium in so far as the rate of exchange in the Colony lagged in following silver on the downward course. Subsequent action by Government to assist in remedying the situation by reducing the stamp duty on bank notes to the extent of requiring not more than 1% per annum on \$45,000,000 of the aggregate bank note-issues of The Hongkong and Shanghai Banking Corporation is evidenced by the correspondence with the associated non-issuing banks, (printed in Part III), which culminated in Government Notification No. 625 of 1929, (also printed in Part III). The premium still persists however to quite an appreciable degree as silver keeps dropping.

REPLY TO THE QUESTIONNAIRE FORMING THE TERMS OF REFERENCE

(a) Is the present currency the most advantageous for the purposes of the trade of the Colony?

13. We have found it difficult to keep our treatment of this question separate from that of questions (e) and (f), and our answers to these questions must be read as complementary one to another. We have assumed that by "present currency" is meant generally the currency established on a silver basis by the Order-in-Council of 1895, and that there is no immediate reference in the question to the tangible shapes which this currency has taken, the disadvantages and unsatisfactory features of which are dealt with in our reply to question (b). We note also that the scope of the question is limited to trade, -- a term which we understand as connoting the business of financing, manufacturing, buying and selling goods, -- and does not extend except indirectly to the individual or collective interests of any other persons than traders.

14. Prefacing so much, we have from the evidence received, to reply to the first question in the affirmative, so long as China uses a currency based on silver.

15. Our view in this respect has the support of all the evidence taken by us except that of two witnesses. One of these, who is Professor of Economics at Hong Kong University, favoured a change to a gold basis even if China remained on a silver basis, being inclined to discount the disabilities to trade which a change

to gold would involve; the other, who is Chief Manager of a ship-building firm in the Colony, considered the present currency unsatisfactory because of the effect the fluctuations in the price of silver had in making it difficult to estimate sterling costs in his business, or to keep a firm offer open for the length of time required between tendering and acceptance, and also to finance ships after construction; he advocated therefore some measure of stabilisation, though he would not go so far as to say we should depart from the silver basis before China did so.

16. It may be apposite here to recapitulate very briefly the arguments upon which traders both past and present -- (see especially the memoranda of Messrs. Mackie and Russell Nos. 34 and 35 in Part III), -- rely to show how any attempt to base the currency on any other metallic standard of value than that used in China would be harmful to the trade and thus indirectly to the general welfare of the Colony. They are as follows:-

- (i) Hong Kong is not a producing but a transit centre; its exports and imports are almost entirely on China's account; the trade which it handles is in reality China's trade. In spite of the fact that all countries from which imports come and to which exports go are not on a gold basis, and that there is a great improvement nowadays in the speeding up of communications between the Colony and China, it still is of the utmost importance that the Colony's currency should conform as closely as possible to that of China, and that unnecessary exchange transactions be eliminated.
- (ii) The ill-effects of any divergence are amply shown when a high premium exists on Hong Kong exchange and drives business past the Colony to Shanghai. It naturally follows that these ill-effects would be accentuated by making a clean break between the two currencies.
- (iii) If Hong Kong had a currency based on gold with China's currency still remaining on a silver basis, merchants fear that the financing of trade would tend to gravitate towards China, where a direct exchange transaction could be effected and bargains struck readily to the exclusion of Hong Kong as an intermediary. Trade might thus pass the Colony, and a centrifugal movement might set in, which in the long run would adversely affect the prestige and prosperity of the Colony.
- (iv) We do not attach much weight to certain other objections which were mentioned to us. For instance, some feared that Chinese merchants, being traditionally accustomed to handle silver, might prefer to continue to do so, and move their businesses elsewhere rather than adjust their methods to the new currency. Again it has been stated that there is the possibility in the event of a marked appreciation of the price of silver that the Colony would forfeit a great portion of its silver token coinage to the melting pot.

(b) In what respects if any is the present currency situation in the Colony unsatisfactory?

17. We have concluded, -- and are supported in our conclusion by all the evidence before us, -- that the currency system of the Colony suffers from the following faults:-

(i) There is in fact a fluctuating premium on the bank-note over the silver dollar in exchange.

(ii) The silver dollar is itself a most inconvenient medium, being difficult to handle, carry and store.

18. Some witnesses have also expressed dissatisfaction with those provisions of the currency system by which the privilege of note issue is delegated to the somewhat arbitrary control of private banking institutions.

(c) If the situation is unsatisfactory in what way can it be remedied?

19. As regards remedies for the premium we deal with these fully in our reply to question (d).

20. As regards remedies for the inconvenience attending the use of the silver dollar we consider that this inconvenience might be lessened to some extent, and at the same time the further minting of British dollars stopped, if more advantage were taken of the means that already exist of issuing notes against deposits of bar-silver in Hong Kong or in London. In general the practice of issuing notes against bar-silver seems to us preferable to issuing them against silver dollars. We realise however that many coins may still be needed as currency and that there would be difficulty in disposing of those already minted without loss of the cost of making and importing them. We do not favour any attempt to prohibit the minting or importation of British dollars, as such action might simply tend to raise the premium on the note, until some exchange corrective in the form of silver bars is provided.

21. As regards the control of note issue by private banking institutions we have more to say on this topic when we come to discuss the remedies for the premium. Those who are dissatisfied with the system of issue by private banks have suggested to us as alternatives, either that Government should take over the whole note issue, or that it should exercise a much more direct control than it does at present over the issuing banks. We have given careful consideration to their views, but have concluded that much of their dissatisfaction arises from a misapprehension regarding the obligation of the note-issuing banks. Although notes were never legal tender, but were primarily a convenient appendage to the currency, and although the law never contemplated that they should supplant silver dollars, it has come about that a demand for currency is in fact a demand for notes, to supply which in practice entails a purchase of gold by a bank of issue. Consequently what the party of demand regards *prima facie* as an obligation in regard to currency becomes, from the point of view of the party of supply nothing more or less than an exchange

operation, which can only be optional. We doubt whether in the special circumstances of this Colony, from which a large quantity of notes must continually be drained into the hinterland of China, such an obligation could be placed even on Government as a note-issuing authority.

22. We cannot moreover see that in the circumstances of this Colony a Government note-issue would have any advantages over a properly controlled private note-issue. On the contrary it might involve Government, and indirectly the taxpayer, in the risks of heavy losses due to fluctuations in the value of silver and securities, risks which bankers, being daily engaged in them, are more competent both to anticipate and cover. A Government note-issue again would involve Government in heavy initial expenditure in laying down notes and building treasuries to hold the reserves against them, and in a constantly recurring charge for the staff of a special note department.

(d) Is the premium on notes over silver detrimental to the prosperity of the Colony? If so, can it be controlled and by what means?

23. We find, and are supported in our finding by all the evidence, that the premium, as a fluctuating and uncertain factor, tends to drive trade past the Colony, and is thus detrimental to its prosperity.

24. The causes from which the premium arises are fully discussed in various memoranda printed in Part III. Briefly summarised they are as follows:-

There is a chronic excess of "invisible" exports consisting of Chinese emigrants' remittances from abroad, which lead to large purchases of gold all round by the banks. Presumably cover in the shape of sales of gold is wanting, and thus the market becomes one-sided. It might have been expected that relief would have been obtained by the resumption of the import of silver dollars, but the difficulties attending their use for inter-bank commitments are still considerable, even though since October last year it was agreed between banks to accept them freely. Prior to that date by tacit understanding between banks they were not accepted at all, and consequently no actual exchange corrective existed. The British dollar is current to any large extent only in Hong Kong and its costs through seigniorage and interest are approximately 5%; moreover since the only way of disposing of it elsewhere is by melting it down, to meet the loss hereby incurred, another 3% might have to be added to its cost. Consequently, in comparison with the uncoined metal, the silver dollar possesses grave disadvantages, in that its import and export points are widely removed.

27. As regards the possibility and means of controlling this premium, we consider that if the issuing banks here were to give out notes freely in exchange for legal silver coins, the exchange level of Hong Kong currency must approximate to silver parity, but,

as we have already indicated, the inconveniences attendant on the use of silver dollars discourage the banks of issue from accepting any more of them than is absolutely necessary for their business. If it is assumed that silver parity is maintained in Shanghai, the local quotation for taels day by day against a parity of roughly Tls. 72 accurately indicates the extent of the premium here, but in spite of large imports of British dollars the expected effect of removing the premium or restoring a normal tael rate has not followed. An exchange corrective therefore has still to be found.

28. We might here refer in passing to the use of sycee in Shanghai, and remark how in spite of its disabilities this medium functions within certain limits as an exchange corrective. The exchange level in Shanghai cannot remain for long too high above the laying-down cost of silver; and again, opposite but natural forces are immediately put in action should the exchange level tend to move too far below the actual value of silver. It may be assumed roughly that, when exchange in Shanghai is quoted at $4\frac{1}{2}\%$ below silver, a point has been reached at which it begins to be profitable to ship sycee and sell it for its silver content. We have previously shown that the export point of the British dollar does not arrive until our exchange falls to over 3% below the price of the silver content of the dollar. Bearing in mind then that as a circulating medium British dollars have a very limited use, and in settlement of inter-bank commitments are far from being acceptable, it occurs to us to put forward the suggestion that some scheme might be agreed upon among the banks whereby bar-silver might be utilised in the place of minted coins in inter-bank settlements. All indications seem to show that there is a glut of silver dollars in the Colony, and if some such scheme for the use of bar-silver could be agreed upon among the banks the loss on seigniorage might be avoided, and it might then be possible to prevent the further indiscriminate minting of British dollars, for minting which permission might be granted by Government only in special circumstances when the note reserves or the Colony's requirements demand a further supply. We do not consider that outside interests should be allowed the latitude permitted under the present system of saddling Hong Kong with superfluous coins in order to gain an immediate profit, a practice which incidentally aggravates the problem for the Colony if and when stabilisation has to be effected.

29. To give effect to these measures of reform, and provide for that elasticity in the currency which is necessary to meet the growing needs of the Colony, we have arrived at the conclusion, after our examination of all aspects of the case, that some readjustment may be called for in the restrictions now imposed upon the note-issuing banks. Admittedly the power of note issue possessed by banks involves a serious responsibility on their part to Government, which represents the interests of the public, and we make the following proposal therefore with some diffidence. As the law stands at present the extent of note issue is limited by the amount of the capital of the bank concerned. Only The Hongkong and Shanghai Banking Corporation may issue notes in excess of the statutory limit, and then only under onerous conditions. We think the prescribed limit should be less arbitrary and should be subject to periodical revision, provided always that the banks of

issue fully cover their notes by the deposit in the Colony of bullion or silver dollars to the extent of at least one-third, the balance being covered by approved securities deposited entirely under Government control. The public would thus be adequately safe-guarded.

30. As the root of the difficulties in connection with the premium is to be traced to an excess of inward remittances, it is obvious that the recent lowering of the rate of interest allowed by banks on deposits should also in the long run tend to remedy the situation. But owing to the unprecedented fall in silver, overseas Chinese have been induced to make excessively large remittances to Hong Kong with a view to getting the benefit from an expected rise in exchange, and it may be some time therefore before the action of the banks will make itself fully felt.

(e) Is the linking of the currency with silver advantageous to the Colony? If so can it be more closely linked?

31. We consider that we have supplied sufficient answers to these questions in our remarks in reply to question (a), where we imply that as long as China links her currency to silver so long must it be advantageous to the Colony to do likewise. In the preceding paragraphs we have indicated the means by which a closer link may be forged.

(f) Is it desirable in the interests of the Colony that the value of the dollar be stabilised? If so can any effective steps be taken to that end?

32. It is conceded on all hands that stabilisation in currency matters is an ideal which it is most desirable to attain, and if it could be realised here to the extent to which it has been effected elsewhere, all the problems connected with the Colony's currency would automatically disappear. The only justification for adhering to the existing silver currency is, as we have already fully explained, the fact that Hong Kong is yoked to South China both geographically and commercially, and in the last resort the question becomes a choice of evils: whether the Colony should face the loss of trade, which is apprehended if it adopts a gold basis, or whether it should continue to be buffeted by the fluctuations attendant on the use of silver as a basis for its currency.

33. We would here emphasize that stabilisation could not be effected at any arbitrary figure but would have to be determined by the value of silver at the time when the change is made, as present holdings of silver must be sold for what they will obtain in the new currency in order to finance that currency. We are not prepared to hazard an opinion as to the sterling price our silver dollar on finally being disposed of would fetch, were stabilisation to be agreed upon, but undoubtedly the price would be much lower than the exchange value of our currency at the time the decision to stabilise was taken. Any attempt therefore to fix arbitrarily the sterling value of the dollar at a higher rate must involve a serious loss, which neither a Government nor any private individual would

be prepared to suffer. It is obvious that, during the period of transition towards stabilisation and for long afterwards, trade and commerce will suffer severe dislocation, but how far-reaching the effects may be, or how quickly the Colony would recover, can only be a matter for conjecture.

34. As regards the future of silver we do not feel confident to express any definite views. But though we fully realise the uncertainties and risks of the situation in this respect, we would deprecate any over-hasty action to effect stabilisation at a figure that subsequent movements in the price of silver might prove to have been ill-advised and disastrous to the best interests of the Colony. In this connection it may not be out of place to repeat the evidence given by American interests before the Royal Commission on Indian Currency and Finance in May 1926, when with regard to the effect of the price of silver on the world's production it was stated that, should the price of silver fall to 50 U.S. gold cents per ounce, 20% of the world's production would be made unprofitable, whilst a fall to 33.1/3 cents per ounce would make 58% unprofitable. It was also pointed out at the same time that the reduction of output would probably not follow immediately on the decline of prices. These remarks might well be taken in conjunction with the views of the Chairman of the Shanghai British Chamber of Commerce, who in February last in a letter addressed to the Chinese Minister of Commerce and Industry, Nanking, made the following statement:-

"The present stocks of silver in Shanghai would be insufficient to finance China's trade, were such trade normal".

35. Finally since China has now worked out through the agency of the Kemmerer Commission a complete and detailed scheme, whereby in more propitious circumstances she may make the change to a gold standard currency, we consider that it is of the utmost importance that Hong Kong, as being unable herself to exercise any control over the price of silver, should be in a position to anticipate such a move on the part of the last remaining user of silver on a large scale. Although we cannot see that China will be able to take this step in the immediate future and although we are rather disposed to regard China's desire for a gold standard for the time being as a pious hope, since any such scheme in the nature of things must entail the reorganisation of her political and fiscal machinery and the obtaining of large financial credits from outside, nevertheless Hong Kong should not be found unprepared for such an event in China, or she might find herself a holder of much cheapened silver, a situation too disastrous to contemplate.

36. We recommend therefore that all available data should as soon as possible be placed before expert opinion with a view to the formulating and having in readiness a feasible scheme worked out in detail whereby the transfer of the Colony's currency from a silver to a gold basis may be effected as smoothly and with as little trouble and expense as possible, in case a sudden change-over be forced upon the Colony.

37. Although it is premature at the present stage to indicate what gold-currency unit should be adopted by Hong Kong, our close business relations with China require us to stress the advisability of this Colony adopting a monetary unit identical with that of our neighbours, following the example set in this respect by Canada with regard to the United States of America.

38. In conclusion we desire to add that, since our terms of reference confined our enquiry primarily to a consideration of the effects of the Colony's currency upon trade, we have refrained purposely from commenting on the hardships of residents and others financially interested in the Colony, who are losing heavily owing to the unprecedented fall in the price of silver, but we trust that the omission may not be construed as implying any lack of sympathy with these sufferers.

39. We desire to express our thanks to our Secretary, Mr. T. Megarry, of the Hong Kong Cadet Service, for the capable way in which he performed his many and arduous duties, and also to Miss V. R. Harrison, for her assistance in the secretarial work.

We have the honour to be, Sir,

Your Excellency's most obedient servants,

C. McI. MESSER, Chairman

M. J. BREEN.

C. CHAMPKIN.

CHAU YUE TENG.

A. H. FERGUSON.

V. M. GRAYBURN.

R. H. KOTEWALL.

LI TSE FONG.

C. G. S. MACKIE.

D. O. RUSSELL.

T. MEGARRY,

Secretary.

14th July, 1930.

H. E. SIR WILLIAM PEEL, K.B.E., C.M.G.,

Governor, etc.

HONG KONG

DOCUMENT NO. 39

The Hong Kong Currency Ordinance, No. 54 of 1935

An Ordinance to make provision for the Establishment and management of an Exchange Fund and to amend the law relating to Legal Tender in the Colony and to the Notes issued by certain banks.
6th December 1935.

Be it enacted by the Governor of Hong Kong, with the advice and consent of the Legislative Council thereof, as follows:-

1. This Ordinance may be cited as the Currency Ordinance, 1935.

2. In this Ordinance -

"Foreign exchange" means all currencies other than Hong Kong currency and includes sterling and other Empire currencies.

"Note-issuing Bank" means the Chartered Bank of India, Australia and China, The Hongkong and Shanghai Banking Corporation and the Mercantile Bank of India.

"Bank notes lawfully issued" means Notes issued in the Colony by any of the note-issuing banks (a) before the commencement of this Ordinance in accordance with the provisions of The Hongkong and Shanghai Bank Ordinance, 1929, The Mercantile Bank Note Issue Ordinances, 1911 and 1929, or the Charter of Incorporation of the Chartered Bank of India, Australia and China, or any Supplemental Charter of that bank, and (b) between the commencement of this Ordinance and the 13th day of July, 1939, in accordance with the above mentioned provisions as modified by this Ordinance.

3. As from the commencement of this Ordinance all bank notes lawfully issued shall be legal tender in the Colony to any amount and any liability, whether incurred before or after the commencement of this Ordinance, to pay silver currency may be discharged in such notes and in particular every bank note lawfully issued shall be deemed to be the currency of the Colony for the purpose of any promise to pay printed on any such note.

4. Each note-issuing bank shall surrender to the Treasurer on demand all silver coin and silver bullion which it was required by the aforesaid Ordinances or Charters or otherwise immediately before such demand to deposit against its note issue.

5. (1) The Treasurer is authorised to issue to note-issuing banks for the purpose laid down in this section certificates of indebtedness in the form in the Schedule.

(2) The Treasurer shall issue in exchange for silver coin and silver bullion surrendered in accordance with section 4 certificates to the face value of the notes covered by such silver.

(3) For the purpose of raising funds to pay for -

(1) Silver surrendered under section 7 of this Ordinance; and

(11) foreign exchange or gold purchased in accordance with section 6

it shall be lawful for the Treasurer to issue further certificates to any note-issuing bank, and to require such bank to pay to him for the account of the Exchange Fund referred to in section 6 the face value of such further certificates.

6. (1) There shall be established a fund to be called "the Exchange Fund" which shall be under the control of the Treasurer and shall be used for the purpose of regulating the exchange value of the currency of Hong Kong. The control of the Treasurer shall be exercised in consultation with an Exchange Fund Advisory Committee of which the Treasurer shall be ex officio chairman and of which the other members shall be appointed by the Governor.

(2) There shall be paid or transferred into this fund all silver coins or silver bullion surrendered to the Treasurer under section 4 or under section 7 of this Ordinance. There shall be paid from the Fund the sums payable in respect of silver surrendered under section 7 of this Ordinance.

(3) The Fund, or any part of it, may be held in Hong Kong currency or in any other currency or in gold or silver or may be invested by the Treasurer in securities approved by the Secretary of State; and the Treasurer may for the account of the Fund buy or sell such currency or gold or silver or securities accordingly. Any such purchases or sales of currency shall be for immediate delivery. The Treasurer may borrow for the account of the Fund either in Hong Kong or elsewhere on the security of any asset held by the Fund or of the general revenue of the Colony: Provided that the aggregate amount of borrowings outstanding at any one time shall not exceed thirty million dollars or, if held in foreign exchange, the equivalent at the current rate of exchange.

(4) The accounts of all transactions of the Fund shall be submitted at such times and in such manner as the Secretary of State may from time to time direct.

7. Every person holding, whether on his own account or on account of any other person any British Dollars, Mexican Dollars, Hong Kong subsidiary silver coin, or silver bullion exceeding in amount or value ten dollars other than the silver coin and silver bullion referred to in section 4 shall surrender the same within one month of the commencement of this Ordinance to the Treasurer, who shall pay for the coin in Hong Kong currency at its face value and for the bullion at the rate of one hundred and twenty eight cents per fine ounce.

8. Every person who contravenes any provision of this Ordinance shall be liable on summary conviction to imprisonment for

any period not exceeding one year, to the forfeiture of the coins and bullion in question and to a fine not exceeding twice the value of such coin and bullion.

9. Nothing in this Ordinance shall affect the holding of silver by any person under licence from the Treasurer and the Treasurer may by licence authorise any person to hold silver, in quantities covered by the licence, which in the opinion of the Treasurer is reasonably necessary for such person's business.

Passed by the Legislative Council of Hong Kong, this fifth day of December, 1935.

H. R. BUTTERS,
Deputy Clerk of the Councils.

The Currency Changes of 1935

Extract from Administration Reports, Hong Kong, 1936,
Chapter XI, Para 2

2. The Currency of the Colony which had hitherto been based on silver and governed by the Order in Council of 2nd February 1895, underwent some very important changes towards the end of 1935. Prior to that time it was, like that of China, on a silver basis. The unit of currency is the Hong Kong dollar, divided into 100 cents. The standard coin was the silver British dollar and the exchange value of the Hong Kong dollar, subject to rather wide variations, from time to time, the reasons for which are discussed in the Report of the Hong Kong Currency Commissioners, 1931, fluctuated with the price of silver. On the 15th October, 1934, the Chinese Government departed from the strict silver standard by imposing a variable export duty on silver, but Hong Kong remained on the silver standard until November, 1935, when the Chinese Government definitely abandoned the silver standard, nationalising all silver and prohibiting export. Following that, the Hong Kong Government, on the 9th November, 1935, prohibited the export of silver, and on the 5th December 1935, a Currency Ordinance was passed calling in silver coin from circulation, and setting up the machinery which now controls the exchange value of the Hong Kong dollar. Briefly, this consists of an Exchange Fund, with power to buy and sell foreign exchange, which has taken over the silver formerly held against their issues by the note-issuing banks, in return for certificates of indebtedness against which the fund may hold bullion, foreign exchange, or approved securities.

DOCUMENT NO. 40

China Mail - 28/7/1864

The Hongkong and Shanghai Banking Company (Limited)

Capital \$5,000,000

In 20,000 Shares of \$250 each

To Be Incorporated By Charter

Provisional Committee

Hon. F. Chomley, Esq., (Messrs. Dent & Co.)
A. F. Heard, Esq., (Messrs. Augustine Heard & Co.)
Thomas Sutherland, Esq., (Superintendent, P. & O. S. N. Co.)
G. F. Maclean, Esq., (Messrs. Lyall, Still & Co.)
Douglas Lapraik, Esq.
W. Nissen, Esq., (Messrs. Siemssen & Co.)
H. B. Lemann, Esq., (Messrs. Gilman & Co.)
W. Schmidt, Esq., (Messrs. Fletcher & Co.)
Arthur Sassoon, Esq., (Messrs. D. Sassoon, Sons & Co.)
Robert Brand, Esq., (Messrs. Smith, Kennedy & Co.)
Pallanjee Framjee, Esq., (Messrs. P. & A. C. Camajee & Co.)
Wm. Adamson, Esq., (Manager, Borneo Company Limited)
Geo. J. Helland, Esq., (Messrs. John Burd & Co.)
Rustomjee Dhunjeeshaw, Esq., (Messrs. P. F. Cama & Co.)

Counsel

E. H. Pollard, Esq.

The Scheme of a Local Bank for this Colony with Branches at the most important places in China, has been in contemplation for a very long period.

The local and foreign trade in Hong Kong and at the open ports in China and Japan has increased so rapidly within the last few years that additional Banking facilities are felt to be required.

The Banks now in China being only branches of Corporations whose headquarters are in England or India, and which were formed chiefly with the view of carrying on exchange operations between those countries and China, are scarcely in a position to deal satisfactorily with the local trade which has become so much more extensive and varied than in former years.

This deficiency The Hongkong and Shanghai Banking Company will supply, and will in fact assume the same position with relation to this Colony as the Presidency Banks of India, or the Banks of Australia in their respective localities.

The Establishment of a Mint in Hong Kong, providing an adequate supply of proper currency, will render a local Banking medium

essential to carry out its operations, and the almost certain disappearance of the existing Compradoric system (so far as money is concerned) will also ensure Banks becoming in course of time the exclusive medium for the transaction of the monetary operations connected with trade.

For the anticipated success of this enterprise there are therefore ample grounds; and the great prosperity which has attended the working of other local associations in China clearly shows that the largest profits are obtained by those Public Companies which possess an interested local body of Proprietors or Shareholders whose support naturally forms a chief element of remunerative success.

The Bank will commence operations simultaneously in Hong Kong and Shanghai and as the importance of its business at the latter place must be very great, it is intended to establish a local Board of Directors there for more effectually meeting the work. As circumstances render it advisable the Bank will establish Branches at other places.

In the distribution of Shares, Hong Kong and Shanghai will equally participate. Shares will also be reserved for the other ports in China and Japan and for persons residing elsewhere, who are directly interested in the China Trade.

Applications for Shares must be addressed until further notice, to the Provisional Committee, care of

Messrs. Dent & Co.,

Shanghai, 3rd August, 1864.

DOCUMENT NO. 41

Canton-Kowloon Railway

AGREEMENT BETWEEN THE WAIWUPU (BOARD OF FOREIGN AFFAIRS OF THE CHINESE GOVERNMENT) AND THE BRITISH AND CHINESE CORPORATION, LIMITED, FOR THE ISSUE AND REGULATION OF A LOAN FOR THE CONSTRUCTION OF A RAILWAY FROM THE CITY OF CANTON TO THE BOUNDARY OF THE KOWLOON LEASED TERRITORY UNDER BRITISH CONTROL, (HEREINAFTER CALLED THE RAILWAY).

THIS AGREEMENT is made at Peking on the 23rd day of the first month of the 33rd year of Kwang Hsu, corresponding to the 7th day of March 1907, and the contracting parties are:-

The WAI-WU-PU acting under the authority of an Imperial Decree, of the one part, and the British and Chinese Corporation, Limited, (hereinafter called the CORPORATION) of the other part.

WHEREAS a preliminary agreement was made on the 28th March, 1899, between H. E. Sheng, Director General of the Imperial Chinese Railway Administration acting under the authority of the Tsung-Li Yamen, of the one part, and the British firm of Jardine, Matheson and Company, for themselves and on behalf of The Hongkong and Shanghai Banking Corporation, representing as Joint Agents the CORPORATION, of the other part, and it was part of the objects thereof that the terms of another preliminary agreement signed by the same contracting parties on the 13th May, 1898, should be thereby adopted as a preliminary agreement for the construction and working of a Railway from the city of Canton to the boundary of the Kowloon leased territory under British control subject, however, as far as might be practicable, to the terms and conditions thereafter agreed to in the final contract for the Shanghai-Nanking Railway when signed and ratified.

Now it is hereby agreed by and between the parties hereto as follows:-

ARTICLE 1

The Corporation agrees to issue, on behalf of the Imperial Chinese Government, a sterling loan (hereinafter referred to as "the Loan") for the amount of £1,500,000 on the terms and conditions hereinafter contained. Imperial Chinese Government Bonds are to be issued for the entire amount, similar to the Bonds of the Shanghai-Nanking Railway, with the Railway as first mortgage security therefor. The Loan shall be in one issue, and the price agreed upon is 94% of the nominal value, subject to the other provisions of this Article as hereinafter stated. The interest on the Bonds shall be at the rate of 5% per annum on their nominal value, payable half-yearly, on the first day of June and the first day of December, and shall be calculated from the date of their sale to the public.

The Loan shall be issued to the public as soon as possible after signing this Agreement, but if at the date of signature thereof, owing to an unfavourable state of the market rendering the issue of the Loan and the payment of its proceeds to the Viceroy of Canton impossible on the terms above named, then in case the Corporation shall thereafter, at such time as the Chinese Government may decide within a period not exceeding eight (8) months, issue the Loan and pay the proceeds thereof to the Viceroy deducting and retaining six (6) points from the rate at which the Loan is actually issued to the public, whatever that rate may be, (i.e. if the issue price be 101 the Viceroy will receive 95 and so on).

Subject to the provisions of Article 16, the duration of the Loan is fixed at fifty (50) years commencing from the date of the signature of this Agreement, but no interest shall be paid on any Bonds which may be redeemed or cancelled under the terms hereinafter mentioned after the redemption or cancellation thereof.

On the face of each of these Bonds shall be expressed the value thereof in the sum of £100 or in such different amounts as the Chinese Minister in London in consultation with the Corporation may sanction.

It is understood that the Chinese Government may hereafter, in its discretion, appoint a Director General of the Railway upon whom, in such case, will devolve all the powers, functions and responsibility, herein attributed to the Viceroy of Canton (hereinafter called the Viceroy).

ARTICLE 2

The proceeds of the Loan are to be used in the construction and equipment of the Railway, and in paying interest on the Loan during the course of construction.

The Railway, being the first mortgage security for the Loan, shall be built and equipped under the direction of the Viceroy, in accordance with the provisions of Article 6 hereinafter, and shall be built as economically as possible in accordance with the best modern system.

It is understood that the Viceroy will secure all the necessary land for the Railway, and will give the necessary instructions to expedite and facilitate the work of construction. The Railway will be built in the first instance as a single line, but provision will be made, with the approval of the Viceroy, and whereas necessary to meet traffic requirements, for the eventual construction of a double line.

If, during the time of construction, the proceeds of the Loan, together with the accrued interest thereon, payable by the Corporation, should, after the deduction of the sums necessary for the payments of interest on the Loan, be insufficient to complete the construction of the Railway, the amount of the deficiency shall either be provided from the Chinese Government's own resources or by a Supplementary Loan to be hereafter issued by the Corporation, the interest and other conditions of which Supplementary Loan shall be arranged when the time arrives, having due regard to the conditions of the money market.

When the Railway is complete if there is a surplus from the sale of Bonds, the said surplus shall be at the disposal of the Chinese Government either to redeem the Bonds in accordance with the terms of this Agreement as hereinafter stated, or to be placed on deposit with The Hongkong and Shanghai Banking Corporation for the purpose of paying interest on the loan, or for other purposes beneficial to the Railway, in regard to which the Viceroy will communicate in due course with the Corporation.

In all matters relating to the construction of the Railway it is expressly agreed that particular heed shall be paid to the opinions and habits of the Chinese people, and that when practicable, Chinese shall be employed in positions of trust and responsibility in connection with the Railway.

In regard to earthwork, or such other work as Chinese are competent to perform, contracts shall be entered into for such work with Chinese, under the sanction of the Head Office, and the work

itself shall be carried out in accordance with plans and specifications of the Engineer-in-Chief and under his supervision.

Detailed plans and estimates of cost, whether of the respective sections of the Railway, or of any alterations of the same, are to be submitted for the approval of the Viceroy, by the Engineer-in-Chief through the Managing Director.

ARTICLE 3

The Loan shall be secured by mortgage declared to be now entered into in equity by virtue of this Agreement, and shall, as soon as possible hereafter be secured by a specific and legal first mortgage in favour of the Corporation upon all lands, materials, rolling stock, buildings, property and premises, of every description purchased or to be purchased for the Railway, and on the Railway itself, as and when constructed, and on the revenue of all descriptions derivable therefrom.

The provisions of this Article in respect of the mortgage, are to be construed and treated as equivalent in purport and effect to a mortgage customarily executed and delivered in England to a Trustee for the purpose of securing Loans and Bond Issues upon Railway properties in foreign countries.

ARTICLE 4

It is hereby agreed that in six (6) months after this agreement is signed, the Corporation shall provide the amount necessary to proceed with the detailed survey of the Railway, and for preliminary construction work if necessary, whether this amount comes from the sale or hypothecation of the Bonds, or from advances made, provided that Bonds for the required amount shall have been executed and delivered to the Corporation. If, after expiration of eight (8) months from the date of the ratification hereof, the work of construction shall not have been begun on the Railway, this Agreement is to become null and void, but if failure to commence construction be due to any cause of force majeure, a reasonable extension of this time limit shall be arranged between the Viceroy and the Corporation.

Of the proceeds realised from the sale of the Bonds, after deducting so much of them as may be required to be kept in England for the purchase of materials and the payments of contracts there, or for repayment of advances, such amounts as may be estimated and certified to by the Engineer-in-Chief to the Viceroy through the Managing Director, as being actually required for the construction of any particular section of the Railway, may be ordered by the Viceroy, after consideration, to be transferred to Hong Kong to be kept in The Hongkong and Shanghai Bank, and placed to the credit of the construction account of the Railway for the exclusive purpose of constructing the Railway in the manner herein provided for under the supervision of the Head Office and the Viceroy.

On each occasion of a remittance being made to China, the amount realised in Sycee will be reported to the Viceroy, and any portion

which may not be required shall be placed at interest. Similarly, the balance in England shall be placed at interest, to be allowed at the usual rate.

The accounts of the money spent from time to time in England, and of the money transferred to the credit of the construction and other accounts for use in China, are to be submitted quarterly to the Head Office for report to the Viceroy for the information of the Waiwupu, and for his further report to the Board of Revenue, and the Board of Commerce, for record therein, after such accounts have been approved and signed by him.

ARTICLE 5

As to the form of the Bond, it is to be agreed upon by the Viceroy or by the Chinese Minister in London and the Corporation, as soon as possible after the signature of this Agreement, but if, hereafter, the money markets in London or other countries require any modification of the form of the Bond, except in anything that affects the amount of the Loan and the liability of the Chinese Government, which are not to be touched at all, such slight modifications may be made to meet the views of the money markets by the Corporation in consultation with the Chinese Minister in London.

Any modifications are to be reported at once by the Corporation to the Viceroy for the approval of the Waiwupu.

The Bonds are to be engraved entirely in the English language, and shall bear the facsimile of the signature of the Viceroy and of his seal of office, in order to dispense with the necessity of signing them all in person, but the Chinese Minister in London shall, previous to the issue of any Bonds, put his seal upon each Bond with a facsimile of his signature, as a proof that the issue and sale of the Bonds are duly authorised and binding upon the Chinese Government.

Such Bonds are to be numbered consecutively, and as many Bonds as may be needed are to be properly engraved under the supervision of the Corporation, and after they are sealed by the Chinese Minister in London, as hereintofore provided, are to be countersigned by the Corporation.

All expenses for the engraving safe deposit, and sale of the Bonds are to be borne by the Corporation.

ARTICLE 6

When the work of construction is ready to begin, the Viceroy will establish a Head Office at Canton for the construction and management of the Railway. This Office will be under the direction of a Chinese Managing Director (appointed by the Viceroy) with whom will be associated a British Engineer-in-Chief and a British Chief Accountant. These British employees shall be proposed and certified as competent for their posts, by the Corporation, and shall be approved by the Viceroy; if their services should prove

unsatisfactory to the Viceroy, he shall request the Corporation to dispense with their services and to nominate their successors, and, in the event of the Corporation desiring to remove them for good cause, it shall do so in consultation with the Viceroy. It is understood that the duties performed by these employees are intended to promote the mutual interests of the Chinese Government and the Bondholders respectively, and it is therefore agreed that all cases of difference arising therefrom shall be referred for amicable adjustment between the Viceroy and the Representative of the Corporation. The salaries and other terms of agreement of the Engineer-in-Chief and the Chief Accountant shall be proposed by the Corporation, for approval by the Viceroy; and the amount of their salaries etc., shall be paid out of the general accounts of the Railway.

For all important technical appointments on the Railway Staff, Europeans of experience and ability shall be engaged, and wherever competent Chinese are available, they shall also be employed. All such appointments shall be made, and their functions defined, by the Managing Director and the Engineer-in-Chief in consultation, and shall be submitted for the Viceroy's approval; similar procedure shall be followed in the case of Europeans employed in the Chief Accountant's department. In the event of the misconduct, or the incompetency of European employees, their services may be dispensed with by the Managing Director, after consultation with the Engineer-in-Chief, and subject to the sanction of the Viceroy. The form of agreements made with European employees shall conform to the usual practice.

The accounts of the receipts and the disbursements of the Railway's construction and operation, shall be kept in Chinese and English in the Department of the Chief Accountant, whose duty it shall be to organise and supervise the same, and to report thereon for the information of the Viceroy through the Managing Director, and of the Corporation. All receipts, and payments, shall be certified by the Chief Accountant and authorised by the Managing Director.

For the general technical staff of the Railway the necessary arrangements shall be made by the Managing Director in consultation with the Engineer-in-Chief, and reported to the Viceroy in due course.

The duties of the Engineer-in-Chief shall consist in the efficient and economical construction and maintenance of the Railway, and the general supervision thereof in consultation with the Managing Director. He shall always give courteous consideration to the wishes and instructions of the Viceroy, whether conveyed directly or through the Managing Director, and shall always comply therewith, having at the same time due regard to the efficient construction and maintenance of the Railway.

A school for the education of Chinese in railway matters shall be established by the Managing Director, subject to the approval of the Viceroy.

ARTICLE 7

Under the provisions of Article 6 of this Agreement the properties covered by the first mortgage security hereby created include the Railway, its property and equipment, and the mortgage is to be executed by a deed in the form contemplated by the said Article. But subject to the guarantee and mortgage thus given by the Chinese Government, it is hereby declared that this Railway is in fact a Chinese property.

All land that may be required along the whole course of the Railway within survey limits, and for the necessary sidings, stations, repairing shops and car sheds, to be provided for in accordance with the detailed plans now made, or hereafter to be made by the Engineer-in-Chief, and approved by the Viceroy, shall be acquired by the Viceroy at the actual cost of the land, and shall be paid for out of the proceeds of the Loan.

The title deeds of the land for the Railway and all other lands shall be free from all encumbrances and entanglements and shall, from time to time, as soon as secured, be registered in the name of the Railway.

Notices of all purchases of lands for the Railway within the survey limit (together with corresponding title deeds) are to be transmitted by the Railway Head Office under the direction of the Viceroy to the local Agent of the Corporation for record and preservation in its office in Hong Kong, and for the purpose of establishing the first mortgage security until the time when the same are to be returned to the Viceroy, as hereinafter in this Article provided.

All lands, the title deeds of which are lodged with the Corporation as part of the first mortgage security of the Loan, shall not be disposed of in any way by hire, lease, or sale, to any party, for any purpose whatsoever, without the written consent of the Viceroy, except only in the event of the Imperial Chinese Government failing to pay the interest or principal of the Bonds, and then in accordance with the powers in the deed of mortgage.

The lands thus bought shall be free from all encumbrances, liabilities and entanglements, and shall be conveyed by full and sufficient deeds of assignment according to Chinese law, all of which are to be kept and recorded in the Hong Kong office of the Corporation, and are to be held by it as a first mortgage security for the Bonds under the provisions of this agreement, until such time as principal and interest of the Bonds, together with all indebtedness, shall have been paid off, when the same shall then be returned to the Viceroy, except only in the case of the Imperial Chinese Government's failure to pay the interest or principal of the Bonds and consequent realization under the powers of the mortgage security.

For the proper protection of the first mortgage security the Chinese Government undertakes that until the Bonds shall have been redeemed, no part of the lands comprised in the mortgage security

or the Railway with its appurtenances shall be transferred or given to another party, or shall be injured, and that the rights of the first mortgage shall not be in any way impaired, unless with the consent in writing of the Corporation, which shall only be given if in the opinion of the Corporation the interests of the Bond-holders will not be affected.

And further, that until the interest and principal of the Loan and all the indebtedness shall have been paid off, or unless with the express consent in writing of the Corporation, the Chinese Government or the Viceroy shall not again mortgage the above properties to another party whether Chinese or foreign.

During the period of this Agreement no special taxes shall be levied by the Chinese Government on the Railway, its appurtenances, or earnings: but all taxes at present payable, such as land tax, as well as any taxes which the Chinese Government may hereafter institute, such as stamp duty, etc., and which may be applicable generally to all commercial transactions in China, shall also apply in the case of the Railway and its operations.

ARTICLE 8

It is agreed that if the half-yearly interest on the Bonds is not paid on any due date thereof, or if the principal of the Loan be not paid in accordance with the amortisation schedule hereto attached, the whole Railway with all its appurtenances herein mortgage to the Corporation for the Bond-holders, shall be handed over to the Corporation to be dealt with by it according to law in such manner as will ensure the proper protection of the interests of the Bond-holders, provided, however, that if the failure to make payment at any one date be due to causes beyond the control of the Chinese Government, and if the Viceroy request the Corporation to postpone the taking over of the Railway for a reasonable period of grace, the question shall be amicably discussed and decided between the Viceroy and the Representative of the Corporation. When the whole Loan and the interest due thereon and all the indebtedness shall have been paid off, the Railway with all its appurtenances in good working condition shall revert to the possession and management of the Chinese Government according to the provisions of this Agreement.

ARTICLE 9

As remuneration for all services rendered by the Corporation during construction of the Railway, the Corporation shall receive the sum of £35,000 half of which shall be paid when the construction work is half completed, but not later than eighteen (18) months after commencement of construction, and the other half upon completion of the line. This amount shall be regarded as a commutation of all commissions to which the Corporation and its Agents would properly be entitled, and of payments of all services rendered in the construction and equipment of the Railway, in respect of the present Loan; but in the event of any branch lines being decided upon by the Chinese Government for construction in connection with this Railway, and if the Chinese Government decide to build the same by issue of a foreign Loan and not from its own resources, then the

Corporation shall have the first option of tendering for such Loan, and a further payment, proportionate to the amount of such supplementary Loan, and calculated at the same rate as the commutation hereinabove mentioned, shall be made to the Corporation as commutation of its commission for all services in respect of construction.

In return for this commuted commission, the Viceroy is entitled to require the Corporation to superintend the purchase of all materials required for the construction and equipment of the Railway, which shall be purchased in the open market at the lowest rate obtainable, it being understood that all such materials shall be of good and satisfactory quality. At equal rates and qualities, goods of British manufacture shall be given preference over other goods of foreign origin. Invoices and inspector's certificates are to be submitted to the Viceroy.

With a view to encouraging Chinese industries, Chinese Government and other materials are to be preferred, provided price and quality are suitable.

No commission shall be allowed to the Corporation on the purchase of materials except as above provided. All trade discounts or rebates, if any, are, during construction, to go to the construction account, and after completion, to the credit of the Railway.

ARTICLE 10

In the construction of the line, in the working of the Railway, and in the performance of the different kinds of business connected with the Railway, no interference or obstruction by Chinese or foreigners will be permitted. The Chinese Government will provide protection for the Railway while under construction or when in operation, and all the properties of the Railway, as well as Chinese and foreigners employed thereon, are to enjoy the utmost protection from the local officials.

The Railway may maintain a force of Chinese police with Chinese officers, their wages and maintenance to be wholly defrayed as part of the cost of the construction and maintenance of the Railway. In the event of the Railway requiring further protection by the military forces of the Imperial or Provincial Governments, the same will be duly applied for by the Head office and promptly afforded, it being understood that such military forces shall be maintained at the expense of the Government or the Province.

ARTICLE 11

All receipts and earnings of the Railway shall be regularly paid in to the Railway's account with The Hongkong and Shanghai Banking Corporation, and on such funds, whether on daily balance or on fixed deposit, the Bank's usual rate of interest shall be allowed.

All expenses of working and maintaining the line shall be paid from the receipts and earnings, and any remainder thereof shall be

charged with the service of the Loan. If, after payment of these expenses, and making due provision for payment of interest at 5% per annum on the Bonds, and for repayments of principal due in accordance with the amortisation schedule hereto attached, there remain surplus funds unappropriated and properly available for other purposes, such funds shall be at the disposal of the Chinese Government to be used in such manner as the Viceroy may decide, provided always that after completion and opening of the line to traffic the amount sufficient for regular payments of interest and repayments of principal shall be deducted from such surplus funds, if any, and shall be deposited with The Hongkong and Shanghai Banking Corporation six months before the date at which such payments fall due.

In the event of there being no surplus funds available as aforesaid from the earnings of the Railway, the amount required for payments of interest and repayments of principal, shall be provided in accordance with the conditions of Article 14 hereinafter.

ARTICLE 12

The Corporation are hereby appointed Trustees for the Bondholders, and in any future negotiations respecting these Loans, or matters arising in connection therewith, which may take place between the Viceroy and the Corporation, the Corporation shall be taken as representing the Bondholders, and as such, empowered to act on their behalf. In view of the fact that the Corporation's responsibility to the Bondholders continues after construction, whereas, as stated in Article 9, its commuted commission for services rendered is limited to the period of construction, and the Corporation is not thereunder entitled to any further remuneration during the period of the Loan, the Corporation shall receive as remuneration for its services and responsibility in acting as Trustees for the Bondholders, the sum of £1,000 per annum, such remuneration to commence from the date of issue of this Loan and to terminate upon its complete redemption.

ARTICLE 13

All materials of any kind that are required for the construction and working of the Railway, whether imported from abroad or from the provinces to the scene of the work, shall be exempted from lekin so long as such exemption remains in force in respect of other Chinese Railways. The Bonds of this Loan, together with their coupons and the income of the Railway, shall be free from imposts of any kind by the Government of China.

ARTICLE 14

It is agreed that during the time of the construction of the Railway, the interest on the Bonds and on any advances made by the Corporation is to be paid from the proceeds of the Loan. The accruing interest from any proceeds of the Loan not used during the period of construction, and the earnings derived by the Chinese Government from the working of any sections of the Railway as they

are built, are to be used to make up the amount required for the payment of the said interest, and if any deficiency remains it is to be met from the proceeds of the Loan.

When the construction of the Railway is wholly completed, the interest on the Bonds is to be paid, from the income or earnings of the Railway received by the Chinese Government, every half-year on the first day of June and the first day of December.

It is hereby agreed that the amount required for the payment of interest and the repayment of principal, together with a sum of one-quarter of one per-cent on such amounts, to cover commission to The Hongkong and Shanghai Banking Corporation, who are hereby appointed Agents for the entire service of repaying the Loan shall be paid to them fourteen (14) days before the due dates in Hong Kong or in Canton (at the option of the Viceroy when settling exchange) in local currency sufficient to meet such payments in sterling in London, exchange for which shall be settled with the Hongkong and Shanghai Banking Corporation, the Viceroy having the option of settling exchange at any date or dates within six (6) months previous to any due date for the repayment of interest and principal.

The Chinese Government unconditionally undertakes, and hereby promises, to pay the principal of the Loan and the interest on the Loan on the due dates fixed therefor. If, at any time, the earnings of the Railway, together with funds available from the proceeds of the Loan, are not sufficient to meet the interest on the Bonds and the repayment of capital in accordance with the amortisation schedule hereto attached, the Viceroy shall devise means for supplying the deficiency, and should his inability to do so appear probable, he shall memorialise the Government to take measures to make up the deficiency from other sources, and thus be ready to pay off the indebtedness, so that the required amount may be placed in each case at least fourteen days previous to the due dates of such payments, in the hands of The Hongkong and Shanghai Banking Corporation.

ARTICLE 15

The Corporation may, subject to all its obligations, transfer or delegate all or any of its rights, powers, and discretions, to its successors or assigns, but the Corporation, which is a Corporation formed under English law, shall not transfer its rights under this Agreement to any other nation, or people of any other nationality, except British or Chinese. Similarly, the Chinese Government's rights and authority under this Agreement shall not be transferred to persons of other nationality.

It is further understood that the Chinese Government will not build another line competing with this Railway to its detriment.

ARTICLE 16

The term of the Loan, as stated in Article 1, shall be fifty years. Repayment of principal shall commence after the expiry of

12½ years from the date of the Loan and shall be completed in 37½ years by yearly payments to The Hongkong and Shanghai Banking Corporation as Agents for the service of the Loan, acting for the Corporation under the terms of this Agreement, in accordance with the amortisation schedule hereto attached.

If, at any time after the expiry of 12½ years from the date of the Loan, the Imperial Chinese Government should wish to redeem the outstanding amount of the Loan, or any portion of it, not yet due under the provisions of the amortisation schedule hereto attached, not less than six months' notice shall be given in writing by the Viceroy to the Representative of the Corporation, declaring the number of additional Bonds so required to be redeemed, whereupon the Representative of the Corporation shall immediately proceed to make such arrangements as may be necessary and usual for the redemption of the number of Bonds specified, which, when duly redeemed after payment by the Imperial Chinese Government of the proper amount due thereon, shall be cancelled and delivered to the Viceroy.

All Bonds thus redeemed, in excess of the amount specified in the amortisation schedule hereto attached, before the expiry of 25 years from the date of the Loan, shall be paid for with a premium of 2½% over their face value, (i.e. £102. 10 will be required to pay for £100), but after 25 years Bonds may be redeemed over and above the amounts specified in the schedule without premium upon notice being given in the manner above specified.

As soon as the Loan has been completely redeemed, this Agreement shall become null and void and the mortgage shall be cancelled.

ARTICLE 17

If, during construction, any proceeds of the sale of the Bonds are lying unused and bearing interest on their deposit whilst the construction of the Railway is going on, such interest is to be credited to the general account of the Railway in order that the Railway may enjoy the full advantage thereof.

It is also agreed that, if the Corporation shall think it expedient before the sale of any of the Bonds to advance any money for the work, such advances, together with the interest thereon not exceeding a charge of 6% per annum, shall be deducted from the proceeds of the sale of the Bonds.

ARTICLE 18

The junction of the sections of the Railway from Canton to the Boundary of the Kowloon leased territory under British control, and from the said boundary to the port of Kowloon respectively, and the subsequent joint working of the two sections, shall be arranged by agreement between the Viceroy of Canton and the Governor of Hong Kong.

ARTICLE 19

This Agreement is signed under the authority of an Imperial Edict dated _____, which has been officially communicated to the British Minister in Peking by the Waiwupu.

ARTICLE 20

This Agreement is executed in quintuplicate in English and Chinese, one copy to be retained by the Viceroy, one by the Waiwupu, one by the Board of Commerce, one by the British Minister, and one by the Corporation, and should any doubt arise as to the interpretation of the Agreement the English text shall be accepted as the standard.

Signed at Peking by the contracting parties this 23rd day of the first month of the 33rd year of the Emperor Kwang Hsu, being the 7th day of March nineteen hundred and seven.

Seal of Wai-wu-pu

Signature of Tang Shao-yi

Witnessed by Canton Viceroy's Delegates,

Tao-tais Kung and Hu.

For the British and Chinese Corporation, J.O.P. Bland,

Representative in China.

Witnessed by -

Messrs Jardine, Matheson & Co.,

and H. S. Gardner, Agent,

H. & Sh. Bkg. Corporation

} Joint
Agents
B. & C.
Corporation.

VII. CONSTITUTIONAL ARRANGEMENTS AND THE INFLUENCE OF MERCHANT OPINION

The constitution of Hong Kong was set out in the Hong Kong Charter of April 5, 1843, document No. 42, and came into operation on the establishment of the Colony on June 26, of the same year. It followed crown colony constitutional precedent, with executive and legislative councils, but gave the governor over-riding legislative and executive power. Document No. 43 gives the Instructions to Sir Henry Pottinger, the first Governor, and shows how the constitution as set out in the Charter was implemented in practice. There was no attempt to force the Chinese into an English mould, and it was originally intended to set up a separate administration for the Chinese to permit them to live under their own law but this was found impracticable. Document No. 44 illustrates some of the arguments used in this connection.

The merchants very early demanded a voice in the administration, largely because of resistance to taxation. In the absence of customs duties and direct taxation, Sir John Davis was forced to raise a revenue from farms, licences and monopolies and rates, which were a source of restriction and irritation. Document 45 gives a Memorial from the Hong Kong merchants to the Secretary of State, August 13, 1845, protesting against taxation and asking for some degree of self-government in local concerns, and the reply of Glastone who was temporarily acting as Colonial Secretary. The 1847 Select Committee on the China Trade of (given earlier, document No. 20) supported their case and in 1850 two unofficial members, both prominent merchants, were, for the first time, appointed to the Legislative Council. The merchants secured a third member in 1857. The first Chinese member was appointed provisionally in 1880, and Document No. 46 is a dispatch from Sir John Pope Hennessy to the Colonial Secretary urging the representation of Chinese interests on the Legislative Council in view of their increasing participation in the trade of the Colony. The development of Shanghai with its largely self-governing municipal council led to much agitation on the part of the merchants in Hong Kong for similar powers. Sir George Bowen, Governor 1883-85, put up a scheme of reorganisation of the Council in 1883 by which the Chamber of Commerce and the Bench of Unofficial Justices of the Peace each secured the right to nominate a member, and document No. 47 gives a dispatch from the Secretary of State agreeing, with some modifications, to Bowen's proposals.

The last document, No. 48, given in this section is the 1894 Petition of the Merchants, Bankers, Professional men, Traders, Artisans and other Ratepayers and Inhabitants of Hong Kong to the House of Commons asking for greater self-government and the replies

of the Marquis of Ripon and Joseph Chamberlain. As a result of this Petition, two unofficial members, both holding important positions in the commercial and economic life of the community, were nominated by the Governor to the Executive Council in 1896. Further agitations for more self-government have taken place, particularly during the period of the First World War, but no substantial change in the principle of retaining official majorities in the Councils has been made, though the numbers of unofficial members have been increased.

DOCUMENT NO. 42

The Hong Kong Charter

A Commission for erecting the Island of Hong Kong and its dependencies into the Colony of Hong Kong and for the establishing a Legislative and an Executive Council in the Said Colony and for granting certain powers and authorities to the Governor for the time being of the Said Colony

CO 381/35

Victoria, by the Grace of God, of the United Kingdom of Great Britain and Ireland, Queen, Defender of the Faith, — To all to whom these Presents shall come — Greeting: Know Ye — that We of our special grace, certain knowledge, and mere notion, have thought fit to erect and do hereby erect our Island of Hongkong and its dependencies, situate between twenty-two degrees nine minutes and twenty-two degrees twenty-one minutes north latitude, and the one hundred and fourteenth degree six minutes and the one hundred and fourteenth degree eighteen minutes east longitude from the meridian of Greenwich, into a separate Colony, and the said island and its dependencies is hereby erected into a separate Colony accordingly, to be known and designated as "The Colony of Hongkong". And we do hereby further grant, appoint, and ordain that the Governor for the time being of the said Colony, and such other persons as are hereinafter designated, shall constitute and be a Legislative Council for the said Colony: And we do hereby direct and appoint that, in addition to the said Governor, the said Legislative Council shall be composed of such Public Officers within the said Colony, or of such other persons within the same as shall from time to time be named or designated for that purpose by Us, by any Instruction or Instructions or Warrant or Warrants, to be issued by Us for that purpose under Our Signet and Sign Manual, and with the advice of Our Privy Council, all of which Councillors shall hold their places in the said Council at our pleasure: And we do hereby grant and ordain, that the Governor for the time being of the said Colony, with the advice of the said Legislative Council, shall have full power and authority to make and enact all such Laws and Ordinances as may from time to time be required for the peace, order, and good government of the said Colony of Hongkong: and that in the making all such Laws and Ordinances, the said Governor shall exercise all powers and authorities, and that the said Legislative Council shall conform to and observe all such rules and regulations, as shall be given and prescribed in

and by such instructions as We, with the advice of Our Privy Council, shall from time to time make for his and their guidance therein: Provided, nevertheless, and We do hereby reserve to Ourselves, Our Heirs and Successors, Our and their right and authority to disallow any such Ordinances in the whole or in part, and to make and establish from time to time, with the advice and consent of Parliament, or with the advice of Our or their Privy Council, all such Laws as may to Us, or them, appear necessary, for the order, peace, and good government of our said Island and its dependencies; as fully as if these presents had not been made: And whereas it is expedient that an Executive Council should be appointed to advise and assist the Governor of Our said Colony of Hongkong for the time being in the administration of the government thereof — We do therefore, by these Our Letters Patent, authorize the Governor of Our said Colony for the time being to summon, as an Executive Council, such persons as may from time to time be named or designated by Us, in any Instructions under Our Signet and Sign Manual, addressed to him in that behalf: And we do hereby authorize and empower the Governor of Our said Colony of Hongkong for the time being, to keep and use the Public Seal appointed for the sealing of all things whatsoever that shall pass the Seal of Our said Colony: And We do hereby give and grant, to the Governor of Our said Colony of Hongkong for the time being, full power and authority, in Our name and on Our behalf, but subject nevertheless to such provisions as may be in that respect contained in any Instructions which may from time to time be addressed to him by Us for that purpose, to make and execute in Our name, and on Our behalf, under the Public Seal of Our said Colony, grants of land to Us belonging, within, the same, to private persons, for their own use and benefit, or to any persons, bodies politic or corporate, in trust for the public uses of Our subjects there resident, or of any of them: And We do hereby authorize and empower the Governor of Our said Colony of Hongkong for the time being, to constitute and appoint Judges, and, in cases requisite, Commissioners of Oyer and Terminer, Justices of the Peace, and other necessary Officers and Ministers in Our said Colony, for the due and impartial administration of justice, and for putting the Laws into execution, and to administer, or cause to be administered, unto them such Oath or Oaths as are usually given for the due execution and performance of offices and places, and for the clearing of truth in judicial matters: And We do hereby give and grant unto the Governor of Our said Colony of Hongkong for the time being, full power and authority, as he shall see occasion, in Our name, and on Our behalf to remit any fines, penalties, or forfeitures which may accrue, or become payable to Us, provided the same do not exceed the sum of fifty pounds sterling in any one case, and to respite and suspend the payment of any such fine, penalty, or forfeiture, exceeding the said sum of fifty pounds, until our pleasure thereon shall be made known and signified to such Governor: And We do hereby give and grant unto the Governor of Our said Colony of Hongkong for the time being, full power and authority, as he shall see occasion, in Our name and on Our behalf to grant to any offender convicted of any crime, in any Court, or before any Judge, Justice, or Magistrate within Our said Colony, a free and unconditional pardon, or a pardon subject to such conditions as by any Law or Ordinance hereafter to be in force in Our said Colony

may be thereunto annexed, or any respite of the execution of the sentence of any such offender, for such period as to such Governor may seem fit: And We do hereby give and grant unto the Governor of Our said Colony of Hongkong for the time being, full power and authority, upon sufficient cause to him appearing, to suspend from the exercise of his office, within Our said Colony, any person exercising any office or place, under or by virtue of any Commission or Warrant granted, or which may be granted, by Us, or in Our name, or under Our authority, which suspension shall continue and have effect only until Our pleasure therein shall be made known and signified to such Governor: And We do hereby strictly require and enjoin the Governor of Our said Colony of Hongkong for the time being, in proceeding to any such suspension, to observe the directions in that behalf, given to him by Our Instructions under Our Signet and Sign Manual, accompanying his Commission of appointment as Governor of the said Colony: And in the event of the death or absence out of Our said Colony of Hongkong of such person as may be commissioned and appointed by Us to be the Governor thereof, We do hereby provide and declare Our pleasure to be, that all and every the powers and authorities herein granted to the Governor of Our said Colony of Hongkong for the time being, shall be, and the same are, hereby vested in such person as may be appointed by Us, by Warrant under Our Signet and Sign Manual, to be the Lieutenant-Governor of Our said Colony: or in the event of there being no person upon the place commissioned and appointed by Us to be Lieutenant-Governor thereof, then Our pleasure is, and We do hereby provide and declare that, in any such contingency, all the powers and authorities herein granted to the Governor or Lieutenant-Governor of Our said Colony, shall be, and the same are, hereby granted to the Colonial Secretary of Our said Colony for the time being, and such Lieutenant-Governor, or such Colonial Secretary, as the case may be, shall execute all and every the powers and authorities herein granted, until Our further pleasure shall be signified therein: And We do hereby require and command all Our officers and ministers, civil and military, and all other the inhabitants of Our said Colony of Hongkong, to be obedient, aiding, and assisting to such person as may be commissioned and appointed by us to be the Governor of Our said Colony of Hongkong, or, in the event of his death or absence, to such person as may, under the provision of these Our Letters Patent, assume and exercise the functions of such Governor: And We do hereby reserve to Us, Our Heirs and Successors, full power and authority from time to time to revoke, alter, or amend these Our Letters Patent, as to Us or them shall seem meet: In witness whereof, We have caused these Our Letters to be made patent.

Witness Ourselves, at Westminster, the fifth day of April, in the sixth year of Our Reign. — (1843).

By the Queen Herself,

Edmunds.

DOCUMENT NO 43

Extracts from a Dispatch from Lord Stanley, Secretary of State for War and the Colonies, to Sir Henry Pottinger. No. 8, 3 June 1843, dealing with the function and purpose of Hong Kong and the problems of its administration.

CO 129/2

Sir,

1. Referring you to my dispatch of 6 April, No. 1, to the documents which accompanied it and to my private letter of the same date, I proceed to fulfil the design which in that letter I announced, of conveying to you such further instructions as might be necessary for your guidance in the administration of the government of the Island of Hong Kong.

2. Throughout the widely extended Colonial Possessions of the British Crown are to be found systems of Law and of Government so dissimilar and indeed so strikingly contrasted with each other that it might appear an almost hopeless attempt to lay down any rules applicable to the administration of Public Affairs in them all. For, these distinctions are not the result of arbitrary rules but flow inevitably from the inherent and indestructable differences of physical structure, of national origin, of Geographical locality, of national products and of languages which separate each colony or group of colonies from the next. Still in the midst of all these varieties, there are some general principles which apply to the case of every Colonial Settlement whether originally founded by the Queen's subjects or acquired by H.M. Arms. An attempt was accordingly made under the direction of one of my predecessors, Lord Glenelg, to exhibit those general rules in a connected form in a volume of Printed Rules and Regulations. I transmit to you a copy of that volume (and I hope to send you a new and much amended edition of it). ...

3. Great as are the contrasts and the anomalies already existing among the various Colonial Dependencies of the British Empire, there is no case which forms so remarkable an exception to ordinary rules as that of the Island of Hong Kong. It is a small Island geographically and until now practically an insignificant appendage to the vast Empire of which the policy and Institutions have no counterpart amongst those of other nations of the world. It is occupied not with a view to Colonization but for diplomatic commercial and military purposes. And it is governed by an officer, who is at once, to negotiate with the Emperor of China or his officers, to superintend the trade of the Queen's Subjects in the seas, rivers and coasts of the Empire, and to regulate all the internal economy of the Settlement itself. Hence it follows that methods of proceeding unknown in other British Colonies must be followed at Hong Kong, and that the rules and regulations mentioned in the preceding paragraph must in many respects bend to exigencies beyond the contemplation of the framers of them.

4. Of innovations of this kind the most material will arise in the person and in regard to the duties of the Governor himself. As Governor, you will correspond exclusively with Her Majesty's Secretary for the Colonies, but as Superintendent of the British Trade and as the Diplomatic or Consular officer of the British Crown accredited to the Chinese Government you will correspond exclusively with H.M. Secretary of State for Foreign Affairs. This a distinction which however expressed in words will perhaps be found to raise many difficult questions, when actually reduced to practice. Your various functions will, probably, not admit of that absolute disconnection from each other, which this distinction assumes and occasions will occur in which local Diplomatic and Commercial Interests will be so involved with each other for you confidently to determine to which of H.M. Secretaries of State you ought to report your proceedings and difficulties or to apply for instructions.

5. ... It is almost superfluous to add that in every such case the most unreserved intercourse and communication will take place between myself and the Secretary of State for Foreign Affairs and that the decision which will ultimately reach you will be the result of our joint deliberations and will express our concurrent judgment.

6. With regard to Legislation you will see that the General Commission or Charter for the Government of Hong Kong invests the Legislative Council with power limited only by the terms of the Royal Instructions and by the general principle that no law be made repugnant to the Law of England. ... The general rule which I have quoted is ambiguous but it has been so long and so universally in use, that still greater ambiguity would have arisen from the attempt to substitute new and precise expressions. In general, however, the words "repugnant to the Law of England" are to be understood as prohibiting all local enactments which would interfere with operation of any British Statute extending to the Island and as prohibiting all enactments not conceived or founded on principles of the Law of England.

...
8. Your attention and that of the Legislative Council of Hong Kong will thus be inevitably drawn to many topics of great difficulty and compass. To dispose of them aright will require not only a large experience of such affairs, but also considerable skill in the technical business of legislation. Yet as you will at first be destitute of the aid of any adequate legal advisers it may seem impossible for you to escape the dilemma of commencing with much defective and crude legislation or of postponing the measures which I have enumerated until local interests shall have grown up, greatly fettering your freedom of action and obstructing the introduction of sound principles of Local Government.

9. To relieve you to the utmost of my power from this embarrassment, I transmit to you a series of Colonial Enactments on analogous topics selected from the recent best considered precedents which the records of this office afford. ...

10. With regard to Courts of Justice, the great object which you will have in view, in the infancy of the Colony will be simplicity and promptitude. A single judge for all causes Civil and Criminal in which any European is directly engaged or indirectly concerned, will be amply sufficient. ...

11. In Hong Kong there could be no Code of Laws, British or European, to which the course and people at large could refer as possessing any authority before the British occupation of the Island. Hence it may be necessary to provide that the Law of England is to be in force there, But that general rule unqualified by exceptions would create many more difficulties than it would remove. ... The usual solution of this difficulty is probably as inconvenient as any which could be found. It consists in qualifying the declaration that the Law of England shall be in force, by an exception almost as general - namely, that no part of that Law shall be considered in force which may be inapplicable to the local circumstances of the Colony and its inhabitants. The question of applicability then comes to be in the first instance, a judicial question, to be decided in the Courts in each particular case as it arises. If any judicial decision appears to the local Legislature unsound or inconvenient, they have the power of preventing, by a Declaratory Law, any similar adjudication in any other case.

12. But in Hong Kong a question will arise which the preceding remark must entirely fail to answer or touch. There will of course be in the Island a large body of Chinese persons to whom the Law of England would be a rule of action and a measure of right equally unintelligible and vexatious. In the rigour of abstract constitutional principles this is a difficulty to which no allowance could be made. But no man whose duty it is to consider such questions for practical and substantial purposes could content himself to oppose to the claims of the inhabitants of Hong Kong the maxims to be gathered from the mere text of the British constitution. As in India the Laws and Customs of the Native population are maintained in their favour under the British Rule, so in Hong Kong it will be necessary that for the government of the Chinese residing there, the Laws and Customs of China should supersede the Laws and Customs of England. The practical difficulty will arise where Chinese and Englishmen are parties to the same contract or are partakers in the same crimes. ... Leaving to the Courts and to the local Legislature of the Settlement the solution, as they arise, of these problems of mixed jurisdiction, and of conflicting Laws, it is enough for my immediate purpose to lay down the few following rules.

13. It should then be understood that even with regard to the Chinese inhabitants no rule or law can be recognised which would derogate from the Queen's sovereignty over the Island or which would ascribe any participation in that sovereignty to the Emperor or the Government of China. It is further necessary that the right of succession to immovable property and whatever regards the alienation of it, should be regulated by English and not by Chinese Laws. Neither must any English subject be held amenable within the Island of Hong Kong for any imputed crime to any Chinese Tribunal or Chinese Law. Again if there be any Chinese Law repugnant to those

immutable principles of morality which Christians must regard as binding on themselves at all times and in all places, the enforcement of any such Law even against the Chinese, must not be permitted within the Queen's dominions although the sentence should be pronounced by Chinese judges.

14. ... It will not be easy for you to raise a revenue by direct contributions. The objection to such payments is felt in all Colonies with peculiar force and is hardly to be overcome by the authority and influence of a Popular Legislature.

...
16. The Land Revenue will probably be an available resource of great importance, if well husbanded and managed, from the commencement. In any towns which may be built, plots of ground might be let on building leases. I do not prohibit taking fines for such leases, but care must be taken that in all cases a fair amount of annual rent should be reserved, as I look to this as one of the most secure and permanent, and in the peculiar case of Hong Kong, the least objectionable sources of revenue.

I should be disposed to apply the principle of leasing rather than selling if possible even to country lands. In a Colony of such limited extent, if trade should materially increase there can be but few spots which may not in the course of years command a high marketable value. ... The principle that Land is not to be given gratuitously to any person or under any pretext cannot be too strongly insisted on or too rigidly enforced.

17. But the Land may be made to yield another source of revenue. Whatever tract may, probably, be required hereafter for public uses, should be dedicated to such uses from the commencement. ...

18. Further, with a view to Revenue or to the relief of the Government from the demands and charges of particular localities it would be of great importance to introduce, as early as practicable the custom of raising rates on the buildings in any town, for defraying the charges of Municipal Government and Police throughout all their various details and subdivisions, confiding to the Householders, as far as may be possible, the power and the obligation to assess themselves and each other and to expend what may be so levied.

19. Economy in the expenditure of the local revenue is, I need hardly add, a duty of the utmost importance. [Following the practice of Parliament, the plan is] before the commencement of each year, to pass in review before the Legislature, first an estimate of the proposed expenditure for the ensuing year, and then a statement of the Ways and Means by which provision is to be made for that expenditure. To this is to be added a recapitulation of the actual as compared with the anticipated results of the financial operations of the year that has just elapsed. The whole should then be published for the information of all whom it concerns, and the Estimates as voted by the Legislature should be adhered to by the Government with the utmost attainable exactness. ...

• • •

I am &c.,

DOCUMENT NO. 44

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Lord Aberdeen is fully sensible of the great inconvenience and embarrassment which are likely to result from an acquiescence in the demand of the Chinese Government.

At the same time however it is not to be denied that a no less degree of inconvenience and embarrassment might be anticipated from the refusal of Her Majesty's Government to recognise such a pretension.

It is unquestionably a matter of the first importance both as regards individuals, and as regards the preservation of friendly relations between Great Britain and China, that British subjects residing in the dominions of the Emperor of China should be wholly exempt from the jurisdiction of Chinese authorities in questions involving punishment of any kind whatever. The main ground on which importance is attached to this point, is distrust of Chinese Law, and the apprehension, not ill-founded that especially in cases of homicide, the Law of China would not discriminate between wilful and accidental offenders, but would inflict capital punishment without reference to considerations which, according to British Law, would mitigate the punishment of the offence. But if the British Government rest their claim to the exemption of British subjects from the criminal jurisdiction of China on such grounds, it would be difficult to resist the claim of the Chinese Government to a similar exemption of Chinese subjects from the criminal jurisdiction of the British Courts. The Chinese Government could hardly be expected to place greater reliance on British Courts or on British Law, than the British Government is willing to place on Chinese Courts or on Chinese Law. If therefore Her Majesty's Government insist upon the exemption of British subjects ... from Chinese jurisdiction in criminal matters there appears no alternative but to grant similar exemption to Chinese subjects residing in Hong Kong. It must be admitted however that a distinction may be drawn between Chinese who have their permanent domicile upon the Island, and those who only resort to it for purposes of trade, and whose position most closely corresponds with that of British subjects in Chinese Ports.

If the latter class were alone concerned, Lord Aberdeen apprehends that under all the circumstances of the case, the easiest mode of obviating embarrassment would be that a Chinese Officer should reside in Hong Kong, and should exercise criminal jurisdiction over the subjects of the Emperor of China in the same manner as the British Consuls in the Port of China will exercise criminal jurisdiction over British subjects. The way in which this arrangement would be carried into effect might be the same in both cases. As in the Chinese Ports the Chinese Police apprehending a British subject on a criminal charge, would immediately transfer him to the custody of the British Consul, so in Hong Kong the British Police apprehending a Chinese subject on a criminal charge, would immediately transfer him to the custody of the Chinese officer on the Island. ... Such an arrangement being strictly reciprocal would appear preferable to that suggested by Sir Henry Pottinger, which would at once involve the deportation of the Chinese offender by the British authorities: and Lord Aberdeen with

Lord Stanley's concurrence, will be disposed to call Sir Henry Pottinger's attention to the expediency of settling the jurisdiction over Chinese subjects, properly so called, upon this footing.

With regard however, to the class of Chinese permanently domiciled on the Island, Lord Aberdeen concurs with Lord Stanley in considering that there may be some difficulty in making the Chinese Government understand that the cession of the sovereignty of the Island made in the Treaty of Nanking, carries with it a cession of sovereignty over the Chinese people established on the Island, both previously, and subsequently to the territorial cession. There is however, an expression in the letter of the Chinese Plenipotentiaries of 13th September, which may perhaps be taken advantage of in order to solve the present difficulty. The passage is "As for those who are willing to hire themselves out as servants to the English, these may just follow their own convenience and inclination." Lord Aberdeen would submit to Lord Stanley whether it might not be possible to take advantage of this expression, and by requiring from the Chinese settlers in Hong Kong a renunciation of their allegiance to the Emperor of China, and a recognition of the absolute supremacy of England as a condition of their being allowed to remain on the Island, such a case of "hiring" might not be made out as to entitle the British authorities to require that they should be allowed to follow their own "convenience and inclination", and at all events to divest the Chinese Government of any pretension or desire to interfere on their behalf.

Lord Aberdeen would be disposed, with Lord Stanley's concurrence, to direct Sir Henry Pottinger to meet the embarrassment occasioned by the Chinese claim in this manner.

There is still another mode of obviating the difficulty, and which might be pressed on the Chinese authorities with reference to their letter of the 27th of September. The leading idea in that letter is, repugnance to submit the Chinese to British Law. But Lord Aberdeen believes that the natives of the territories under the Government of the East India Company are still in a great degree, if not entirely, subject to laws which existed in the country previously to its coming under the sovereignty of Great Britain; and if that is the case, there seems no reason why the Chinese in Hong Kong should not continue subject to Chinese Law, not indeed administered in the name of the Emperor of China, but still to all intents and purposes the same law as that by which their conduct was regulated previously to the cession of the Island. Sir Henry Pottinger might therefore state to the Chinese authorities that Her Majesty's Government are perfectly willing to agree that the Chinese who are permanently domiciled on Hong Kong should continue subject to the Chinese Law; and Lord Aberdeen is not aware whether there would be any insurmountable objection to Sir Henry Pottinger further stating that

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- (1) Pottinger had suggested the extradition of Chinese criminals to the Chinese mainland for trial by Chinese Magistrates at near-by Kowloon.

Her Majesty's Government would willingly receive, at all events in the first instance, one or more judicial authorities selected by the Emperor of China, who should administer in the name of the Queen, the Law of China in cases where the Chinese subjects of the British Crown are concerned, and whose maintenance would be provided from the Revenues of the Island and would not be a charge upon any province of the Emperor's dominions. ...

I am,
Sir,
your most obedient and humble servant

H. M. ADDINGTON

DOCUMENT NO. 45

**Memorial from the Hong Kong Merchants to the Secretary
of State for the Colonies, August 13, 1845 and the reply**
CO 129/13

THE RIGHT HONORABLE
LORD STANLEY
H.M. PRINCIPAL SECRETARY OF STATE FOR THE COLONIES,
&c. &c &c

MY LORD,

THE period has at length arrived, when as Owners of land and property at HONGKONG, we can no longer refrain from addressing ourselves direct to H.M. Government, in the confident hope, that a plain statement of facts will induce H.M. Advisers, to sanction a material modification of the System, which has hitherto been in operation, occasioning results alike injurious to the interests of the mercantile Community, and the real and essential interests of the settlement.

It will scarcely be necessary for us, in the first place, to submit, that shortly after the Island was first ceded, or taken possession of by H.M. Plenipotentiary in China, in the early part of 1841, a public sale of land was held, at which it was stipulated, that the "terms and tenure of all property would hereafter be defined by H.M. Government".

But in a letter of H.M. Plenipotentiary, dated 17th June, 1841, copy of which is hereunto annexed, an expectation was held out, that the lands would be granted in fee simple, for one or two years purchase at the rates paid at the public sale; or that they should be charged only with a nominal quit rent, if that form of tenure continued to obtain,

This suggestion on the part of H.M. Plenipotentiary, originated in the well known fact, that the very limited quantity of ground, available for building purposes on the proposed site of the present Town of Victoria, was the occasion of great competition, and the eventual payment of a Scale of Rent, which that Officer naturally and truly apprehended, would, if enforced, be detrimental to the progress and prosperity of the settlement.

During the time which intervened between the occupation of the Island by H.M. Government, in March 1841, and the Treaty of Nankin, in June 1843, a period of upwards of two years, the Local Government of Hongkong used every endeavour, both by facilities temporarily offered to early occupants of land, and the threat of penalty of forfeiture of their purchases to all who did not commence building, to induce the British Merchants to remove from Macao to the new Settlement, and nothing was, up to that date, said or done, to induce holders of land to apprehend, either that the promises of H.M. Plenipotentiary would not be strictly fulfilled, or that they would be placed in a more unfavourable situation, than parties similarly circumstanced in other British Colonies.

Large sums were consequently expended in the erection of Dwellings and Warehouses in the New Town of Victoria, to an extent, which would have rendered it injurious to all, and ruinous to many, to be compelled to abandon their property; and it was not until the early part of 1843, that it was notified: "That H.M. Government did not see fit to recognise sales or Grants of land, that had been made by or under any Authority whatsoever, up to the period of the exchange of the ratification of the Treaty of Nankin".

But as H.M. Government must have been well aware, that the Colonists had acted with perfect reliance on the good faith and justice of their Government, this order was so far qualified, that on 23rd August 1843 it was notified:

"That an Enquiry should be instituted into the Equitable claims of all holders of land to a confirmation either permanent or temporary of their Titles, so far as they could be confirmed consistently with a just regard to the interests of Society at large."

In the early part of 1844 we were, for the first time, made acquainted with the terms on which the Crown Lands were to be held, and Sir Henry Pottinger, then Governor of the Island, published the forms of the Leases required to be executed.

The conditions of these Leases were universally considered so unusual, and so certain in their operation to be ultimately injurious, not only to the holders of Land, but to the future welfare of the Colony, that we were compelled to protest most solemnly against them in a correspondence with the Governor, dated in March 1844, from which correspondence we beg to subjoin the following extract:

"We may be allowed to point out to Y.E., that an adherence on the part of Government to the proposed terms of Lease would be eventually the means of placing those, who first commenced improving their property in Hongkong, and who from the sums already expended cannot withdraw from the occupation of their Buildings without ruinous loss, on most unfavourable terms, compared with others, who have the option of resorting to places where land can be bought, or rented, on much more moderate conditions; and we submit, that it can never be the wish or intention of H.M. Government to place the early occupants of Land in such a position".

No redress has however been granted; and disregarding the future prosperity of the Settlement, in the desire to raise a comparatively large temporary revenue, the Local Government has persisted in forcing unusually hard conditions on the Land holders, who had been led into a large expenditure of money, owing to their faith in the promises, under which the Land was originally sold; (promises, which were at any rate tacitly acknowledged by the Government, and not repudiated until after the lapse of 3 years); while at the same time it is no exaggeration to state, that had the existing regulations been promulgated before, instead of after the outlay of their funds, not one British Merchant would have been found willing to become a resident in the Colony.

We have deemed it necessary and due to ourselves, to enter thus at length into some account of the formation of the Colony and its progress hitherto, with the view of shewing: First, the nature of the inducements under which we were led to abandon our Residences at Macao and Canton, where both House rent and Taxation are very light; which we may illustrate by the fact, that the Ground rent alone of most of the eligible sites in Hongkong is (without including rent or interest of money) a heavier charge, than all payments, rent inclusive, required of the Tenants of Houses in Macao;

And Secondly, To prove that the very onerous terms, on which we have been compelled to occupy our property in Hongkong, have been forced on us, not only against our urgent remonstrances, as a question of justice and equity, but in opposition to what we have always considered and represented to be the true interest of the Colony.

Since the enforcement of these Leases, the measures of the existing Government of the Island have still further aggravated the evils under which we have been suffering, by making in a place, nominally declared to be a free Port, every description of commerce and Trade a Subject of Taxation, or source of revenue, or of Monopoly sold to the highest Bidders, thus driving away, instead of encouraging Trade in an infant Settlement: and lastly we have now to complain of the promulgation of an ordinance, which we submit to be unconstitutional and illegal, empowering Government Assessors arbitrarily to value all Household Property, with the view of raising a new tax, ostensibly for payment of a Police force, there being no Municipal Body of any kind in the Colony to

determine whether such tax be necessary, or equitably levied and appropriated.

The result of the System actually in operation for the last two years; commencing with the proceedings in Land Sales and Leases under the administration of the first Governor, and continued by the financial arrangements of his Successor, is sufficiently exemplified in the present state of the Colony: for owing to the heavy rents and unsatisfactory tenure of property, the continued arbitrary taxation and impediments to Trade of all kinds, and the entire want of confidence, as well on the part of the Foreign Community in China, as of the Chinese themselves, as to the establishment of a better course of policy, there is, at this moment, after 4 years occupation of the Island, scarcely one foreign Resident, except Government Officers, and those British Merchants and Traders who commenced Building before the enforcement of the Leases; there are no Chinese Merchants, or even Shop keepers, with any pretension to property; there is neither an import or export Trade of any kind; and as will be seen by the public papers, even now, when many private Dwellings are temporarily occupied by the Civil and Military Officers of Government, pending the completion of the Public Buildings, several Houses have been untenanted for months past; and the value of all property is daily on the decrease.

It is necessary to bear in mind, that the Trade of this part of China has long been accustomed to flow through other Channels, that the Island of Hongkong has no natural productions, or consumers of imports, beyond the mere wants of the Colonists themselves, and is even dependent for its daily supply of food on the main land; and that a place so circumstanced, especially in a Country like China, proverbially averse to sudden change, can only be expected very gradually to acquire a Trade by facilities and encouragement, instead of being subject to ceaseless and heavy taxation, charges, from which places in its vicinity are moreover exempt.

We must therefore, hope we shall not be deemed presumptuous in submitting to H.M. Government our urgent entreaty, that they will be pleased to direct the abolition of the Opium Farm, Auction Duties, and other harrassing Taxation recently imposed, which have already had the effect of deterring many Chinese from settling in the place, and driven away several, who were already established, and been in fact utterly destructive of our incipient Trade. If this be not conceded, many of the European Residents will also be compelled to quit a place totally without Commerce, but more heavily taxed, in Ground rents alone, than any other part of China, and remove to those Ports where the Trade is actually carried on, abandoning properties on which many have expended their whole fortunes.

We further venture to suggest that the system adopted in other colonies may reasonably be extended to this distant settlement; and that it is hoped Government will be pleased to authorise the formation of a Municipal Body, vested with the usual power of deciding on the appropriation of the monies raised for Local purposes.

We cannot in conclusion refrain from urging, that such a settlement as Hongkong was never actually required by the British Merchants; and that it has become even less so since the opening of the five Chinese Ports, where the Foreign Residents are free from all taxation, and where the rent of Land and Houses is generally very moderate.

We submit therefore, that it will be found as inexpedient in principle, as under existing circumstances we consider it would be unjust in practice, to call on the Civil part of the Community for any large proportion of the expenses of a Colony which is held rather as a Military and Naval Station, giving Great Britain the Command of these Seas, and as the Residence of a few Merchants, occupied in extending British Commerce along the Coast of China, and keeping up an active correspondence with the rest of the World, than a place which under any circumstances can be expected to possess an extensive Trade, or afford any considerable revenue towards the payment of its own expenses.

We have the honor to be,

MY LORD,

Your Lordship's most obedient and humble Servants,

VICTORIA, 13th August, 1845.

Hughesdon & Co.

George R. Barton M.D.

N. Duus.

Burd, Lange & Co.

John Cairns.

Henry Holgate.

M. Ford & Co.

L. Just, Sen:

L. Just, Jun:

D. Lapraik.

J. D. Porter

Geo: Duddell.

J. Palmer

Chas. W. Bowra.

Saml: Jno: Cooke.

Jardine Matheson & Co.

Dent & Co.

Macvicar & Co.

Fox, Rawson & Co.

Turner & Co.

Lindsay & Co.

Gibb, Livingston & Co.

Jamieson, How & Co.

W. & T. Gemmell & Co.

Fletcher & Co.

per. pro. Murrow & Co.

Chas. W. Murray.

R. Oswald & Co.

Thos. Ripley & Co.

Dirom, Gray & Co.

Holliday, Wise & Co.

Robt. Strachan.

John Carr.

**Dispatch from W. E. Gladstone to Sir John Davis, being the
reply of the Secretary of State to the Petition of the
Hong Kong Merchants**

Sir J. Davis Bart.

7 March, 1846

Sir,

I have to acknowledge the receipt of your Dispatches of the 20th, 26th and 30th August Nos. 114, 117 and 121.

In the first of these Dispatches you transmit the Draft of an Ordinance for the construction of Drains &c. in the town of Victoria - and for the imposition of an assessed Rate on Property to defray the expense - and in the other two you enclose the Copies of a Correspondence which has passed between yourself and the Merchants of Hong Kong, together with a Memorial from them to Lord Stanley complaining of the terms on which Lands in the Colony have been disposed of, and protesting against the imposition of any assessed Tax as unconstitutional and illegal.

With respect to the terms on which Lands have been disposed of, there appears to be nothing new in the present representation - and as the subject has been already exhausted both in Sir H. Pottinger's Dispatches of March and May 1844 and Lord Stanley's answer of 19 November 1844, and in your own Correspondence with the Mercantile Body, it would be superfluous in me to review the discussion. I content myself, therefore, with expressing my concurrence in the general reasoning on this subject adopted by Lord Stanley as well as by Sir H. Pottinger and yourself. In regard to the imposition of Rates the Mercantile Body may mean that as such Rates are in this country levied by Municipal Bodies and not by the Imperial Legislative, it is unconstitutional and illegal that they should be levied in Hong Kong by the Colonial Legislative. But whether this be or be not the first construction of their language, in the proposition itself which they have advanced, I can by no means concur. The circumstances of the Town of Victoria and of the Colony of Hong Kong generally are so different from any state of Society existing in this Country or in any British Colony, and they are likewise as yet so imperfectly developed, that it would be impossible perhaps at any time, certainly at present, to apply to them principles or to introduce into them Institutions which elsewhere are recognized and established. I see no objection, therefore to the principle of the Draft Ordinance which you have submitted - but as the question of the Drainage of Towns has lately attracted much attention in this Country, I submitted that Draft to the Health of Towns Commission - and I now enclose for your information a Copy of the observations which they have made on it.

Your local knowledge and that of your Council will enable you to judge more correctly and confidently than myself whether any, and which, of the suggestions of the Commission can be carefully embodied into the Hong Kong Ordinance. The only observation that I have to add is, with reference to your Dispatch, that as

the rate imposed by the Ordinance is to be made by the Commissioners to be appointed under it, it appears to me that the Collector or Collectors of the Rates should be appointed by the Commissioners and not by the Governor.

The merchants in their letter to Lord Stanley, I observe, not only protest against the proposed Taxation for draining the Town of Victoria, but also against the Opium Farm, Auction "Duties, and other harassing Taxation recently imposed" as deterring the Chinese from settling and being destructive of the Incipient Trade. And they denounce as unjust the requiring the Civil part of the Community to pay any large proportion of the expenses of a Colony held rather as a Military and Naval Station than as a place of Trade.

It appears to me that in this representation the Mercantile Body have altogether mistaken the object of Great Britain in the occupation of Hong Kong. That occupation was decided on solely and exclusively with a view of Commercial interests, and for the benefit of those engaged in the Trade with China. As a Naval or Military Station except for the security of Commerce, Hong Kong is unnecessary. It would, therefore, be impossible for me to hold out to the Merchants settled in the Colony the expectation that H.M.'s Government will propose to Parliament that it should permanently impose on Great Britain the whole or the principal portion of the expense of an Establishment from which those engaged in the Trade with China are to be denied the principal benefit, nor, consequently, can I accede to their request that the Opium Farm, Auction Duties, or other taxes which have received the sanction of H.M.'s Government should now be taken off.

W. E. GLADSTONE

DOCUMENT NO. 46

Dispatch from Sir John Pope Hennessy to the Secretary of State for the Colonies No. 4 January 19, 1880 regarding the appointment of a Chinese Member of the Legislative Council.

CO 129/187

No. 4

Government House,
Hongkong,
19th January 1880.

The Right Honorable

Sir Michael Hicks Beach, Bt., M.P.,

Her Majesty's Principal Secretary of State for the Colonies,
&c. &c. &c.

Sir,

Referring to my Despatch No. 114 of 13th December, 1879, announcing the departure from the Colony of Mr. H. B. Gibb, I have

(73476)

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the honour to report that I have provisionally appointed Mr. Ng Choy to be an unofficial member of the Legislative Council.

2. Mr. Ng Choy is a Chinese British subject, having been born in Singapore. His education was completed in England, and he was called to the bar at Lincoln's Inn in Hilary Term, 1877. The Chief Justice tells me that he got a good private fortune from his father and by his marriage. Sir John Smale also concurs with me in saying that there is not a more honorable and straightforward gentleman in the Colony than Mr. Ng Choy.

3. In addition to those qualifications, I have not been insensible to the fact that the time had come for placing on the Legislative Council some person who would fairly represent the interests of the Chinese Community of Hongkong.

4. As long ago as the year 1855, Governor Sir John Bowring suggested a plan by which lot holders rated at a certain amount should be allowed to elect five unofficial members of Council, and he referred to the justice and policy of associating the Chinese residents with the action of the Government, as at Singapore, where, at that time, they had been admitted to the Magistracy. Mr. Labouchere called for detailed explanations of the scheme, and finally decided that it was better, in a Crown Colony such as this, to adhere to the system by which Unofficial Members of Council are provisionally appointed by the Governor on his own responsibility, after due enquiry and consideration, and the names submitted to the Secretary of State for Her Majesty's decision.

5. The ownership of property has changed so much since Sir John Bowring's time, that the majority of the body of electors he suggested would now be Chinese. Indeed, not many years after Sir John Bowring's proposal was made, Governor Sir Hercules Robinson, as I had occasion recently to mention (Despatch No. 122 of the 26th of December 1879), said:- "The Chinese constitute 98 per cent of the population, and probably contribute nearly a similar proportion of the revenue - " And, in another passage, Sir Hercules Robinson said, "The Chinese have made Hongkong what it is." -

6. As regards the Magistracy Mr. Ng Choy is the only Chinese gentleman whose name appears in the list of our Justices of the Peace, but that was done because it was thought desirable to have the four or five members of the English Bar who resided in Hongkong included amongst the thirty or forty visiting Justices of the Gaol.

7. But whatever might have been the theoretical merits of Sir John Bowring's electoral scheme, I am clearly of opinion that it would not work as well as the system by which the Governor of the Colony is primarily responsible for provisional appointments to the Council.

8. In exercising in this instance, the duty imposed upon me by Her Majesty's Commission and the Royal Instructions, I have had the advantage of considering the views of the wealthy and well-to-do Chinese subjects of The Queen, as to how far Mr. Ng Choy may be

fairly said to represent the Chinese Community of the Colony. On this point I have the honour to enclose for your information a document which was placed in my hands about a month ago, in which the leading Chinese of Hongkong - writing on behalf of their own community - recommend Mr. Ng Choy to me as a Gentleman of high standing and well qualified to represent their interests in the Legislative Council.

9. You will observe that these gentlemen refer to their Memorial addressed to you, which I transmitted in my Despatch, No. 5, of the 19th January, 1879. In that Memorial they say:-

"We beg humbly to submit that the Chinese residents exceed the foreign residents more than ten times in number and the amount of taxation borne by the Chinese Community also exceeds by far the amount borne by the foreign Community. Henceforth it would be but fair to allow the Chinese Community a share in the management of public affairs of the Colony".

10. When, in May, 1879, I reported having provisionally appointed Mr. Gibb to a Seat on the Council, I said:-

"In recommending this appointment I have had to consider the fact that the four Unofficial Members of Council in Hongkong belong to the European Community exclusively, - and that the time has undoubtedly come when the forty thousand Chinese Subjects of The Queen who have been born under the British flag, and the wealthy and enterprising Chinese Community generally ought to have, as at Singapore, some one of their body on the Legislative Council. But this question is raised in the address to you from the Chinese Merchants, transmitted in my Despatch No. 5, of January, 1879, and no doubt will not escape your attention." -

11. As to Sir John Bowring's suggestion that we might follow in this Colony the example set in Singapore, I need hardly remind you of the advantage to the public Service in that Colony that followed the appointment of Mr. Hoo Ah Kay Whampoa, in 1869, to a seat on the Legislative Council. As I have known and corresponded with W. Whampoa for the last twelve years, I may venture to make this comparison between him and Mr. Ng Choy. He is an older and more experienced man, but has not the same knowledge of England, and of our language and literature, that Mr. Ng Choy has. In fact, Mr. Ng Choy is an accomplished English scholar, and a man of general culture. Mr. Whampoa is a naturalized British Subject; Mr. Ng Choy is British-born subject. They are equally loyal to The Queen, and are both thoroughly identified with the interests of England in the East. By their good example and by their influence, they both contribute in no small degree to the formation of a sound Anglo-Chinese Community in their respective Colonies.

12. Having carefully considered the whole question, I have no hesitation in recommending you to submit Mr. Ng Choy's name to Her Majesty for a Seat in the Legislative Council.

I have the honour to be, Sir,
Your Most Obedient Humble Servant,

J.. POPE HENNESSY

DOCUMENT NO. 47

**Dispatch from Earl of Derby to Sir George Bowen, relating
to the reform of the Legislative Council, 7 August, 1883
CO 129/209**

No. 158
Governor,
Sir George Bowen,
Hong Kong.

Downing Street
7 August, 1883

Sir,

I have the honour to acknowledge the receipt of your Despatch No. 62 of the 14th of May, proposing certain alterations in the constitution of the Executive and Legislative Councils of Hong Kong.

2. After full consideration of the circumstances of the Colony, I am of opinion that an Executive Council of seven Members would be unnecessarily large, and that the office of Treasurer, which is generally united with another office, and has a salary of only nine hundred and sixty Dollars a year, should not be exercised as conferring a seat in that Council.

In other respects I approve generally, your proposals with regard to the Executive Council, and the necessary Instrument shall be prepared for adding the present Registrar General to the Council thus raising the number to six.

3. Turning now to the Legislative Council, I have the honour to inform you that the question whether the officer commanding Her Majesty's troops should be a Member of that body in a Crown Colony has of late been repeatedly under consideration, and it has been deemed preferable that in the absence of any strong and special reasons, that Officer should not have a seat in the Legislative, and accordingly in Malta and the Windward Islands, the Officer commanding the Troops has recently ceased to take part in Legislation, and now only sits in the Executive Council.

4. I may explain that a principal reason for this decision has been the fact that the Officer commanding Her Majesty's Military forces is not under the same obligation as is incumbent

upon the Civil officers to support the measures of the Government; and if he should feel it his duty, acting in accordance with his own judgement, to speak or vote against any such measure, the opposition of an officer holding so high a position would be made undesirably prominent. It has therefore been thought expedient that the Colonial Government should have the advice of the Commanding Officer in the Executive Council, but that he should not take part in the proceedings of the Legislative Council.

5. I have much pleasure in adding that I am well aware that if Her Majesty's Government had not decided that the Officer commanding Her Majesty's Military forces ought not to sit in the Legislative Council, the personal qualifications of General Sargent, who at present holds the command would have strongly recommended him for the discharge of that function.

6. It should further be understood that neither he nor his predecessors in the command have been omitted from the Council through inadvertence, but that the Senior Military Officer has never been expressly designated as one of the ordinary Members.

It appears that by the earliest Royal Instructions, the Governor was empowered to appoint three Members of the Council, and that he exercised this power in 1843 in favour of General D'Aguiar, then commanding the Troops; but this Officer's name does not appear in the Blue Book as a Member of Council after 1844; and the subsequent commanding Officers appear not to have been so appointed up to 1859 when the Instructions were revoked.

In 1855 however Colonel Caine; the Lieutenant Governor, was appointed personally by Warrants under the Sign Manual, but it does not seem that any subsequent commanding Officer has sat in the Legislative Council.

7. I concur in your opinion that it is not desirable in principle that the Chief Justice should sit in a Colonial Legislature unless in any case a sufficient number of qualified persons cannot be otherwise obtained, and I also fully agree with you in thinking that the existing arrangement should not be disturbed while the present Chief Justice continues to hold his office.

8. I further approve of your recommendation that the Surveyor General, who is at present an unofficial Member, should be transferred to the official side of the Legislative Council, and as you have already been instructed by my telegram of the 19th of April that the Registrar General is to have a seat in the Legislative Council as well as the Treasurer, the number of officials will be raised to six, in addition to the Governor.

9. I now proceed to consider your proposals with regard to the unofficial Members, and while I agree that it is desirable to apply to Hong Kong the principle, which I have lately approved in the case of Mauritius, of allowing some of the unofficial Members to represent the public opinion of the Colony as expressed by some of its leading business institutions, I think it desirable in order

to maintain the present proportion of official to unofficial Members, that the number of unofficial Members should not be so large as you have proposed.

10. Instead therefore of six, I propose that there shall be five unofficial Members, one at least of whom shall be a Member of the Chinese community. I have no objection to the mode in which you propose to provide for the selection of some of the unofficial Members, but as the total number will be only five it will be necessary that the Chamber of Commerce should recommend only one Member.

11. It has lately become the practice to designate in the Royal Instructions only two or three offices for seats ex-officio so as to allow of the selection for the remaining official seats in the Legislative Council, of those office holders who at the time may appear to be personally or in respect of their duties to be best fitted to be Members.

This practice will be followed in the additional Instructions now in course of preparation and by applying the same practice to the Executive Council the locum tenens of the Registrar General or Surveyor General will be excluded unless provisionally appointed by the Governor under Article IV of the Royal Instructions of the 9th of April 1877. Your suggestion in paragraph 7(c) of your Despatch will thus be carried out.

12. I approve of your proposals for an annual Session of the Legislative Council, and for weekly meetings of the Executive Council.

13. As regards Dr. Stewart's position in the Legislative Council, to which you allude in the 7 paragraph of your Despatch, I was aware that he could not take his seat as an official Member under the existing Royal Instructions, and before the receipt of your Despatch, amended Instructions had been prepared with a view to their being laid before Her Majesty at the first Meeting of the Privy Council, but the consideration of your Despatch has unavoidably postponed this action.

14. It will probably be convenient before the New Additional Instructions are acted upon, that Mr. Price should formally resign the seats which he now holds in both Councils, and be re-admitted under these Instructions of which the Draft shall shortly be communicated to you.

15. I shall be glad to learn at an early date the names of the gentlemen whom you would propose for the unofficial seats in the Legislative Council.

I have

etc., etc., etc.,

DERBY

Petition of the Merchants, Bankers, Professional men,
Traders, Artisans and other Ratepayers and Inhabitants of
Hongkong to the House of Commons; sent in June 1894
and replies. CO 129/263

To the

HONOURABLE THE COMMONS of the

UNITED KINGDOM OF GREAT BRITAIN AND IRELAND IN
PARLIAMENT ASSEMBLED

THE HUMBLE PETITION of the Undersigned
Merchants, Bankers, Professional Men,
Traders, Artisans, and other Ratepayers,
inhabitants of the Crown Colony of
Hongkong.

RESPECTFULLY SHEWETH:-

1. The Colony of Hongkong, situate in the China seas, at the south-eastern extremity of the great Empire of China, is one of the smallest, but by no means the least valuable or important, of Her Majesty's possessions outside of the United Kingdom of Great Britain and Ireland.

2. It is a little over 50 years since the Colony was founded on a barren rock, the abode of a few fishermen and pirates. Today it is a City and Settlement with upwards of a quarter of a million inhabitants; a trade estimated at about Forty millions of pounds sterling per annum, and a revenue of some Two millions of dollars, wholly derived from internal taxation. Hongkong is a free port, through which passes upwards of Fourteen millions of tons of shipping per annum, and it ranks amongst the very first in the list of the great seaports in Her Majesty's dominions. It is the centre of enormous British interests, and is an extensive emporium of British trade in the China seas, and, while it remains a free port, it is destined to expand and develop, and to continue to be the centre of vast traffic and of constant communication between Europe, the Australian Colonies, the United States, and Canada on the one hand, and China, Japan, the Philippine Islands, British North Borneo, Java, Indo-China, Siam, the Straits, and India on the other.

3. Hongkong has attained to its almost unequalled commercial position, through the enterprise, skill, and energy of British Merchants, Traders, and Shipowners; through the labours of Her Majesty's subjects who have spent their lives and employed their capital on its shores; through the expenditure of many millions of dollars in Roads, Streets, and Bridges; in buildings, public and private; in extensive Reclamations; in Docks, Piers, and Wharves; and last, but not least, in Manufactures of great and increasing value. The prosperity of the Colony can best be

maintained by the unremitting exertions and self-sacrifice of your Petitioners and the valuable co-operation and support of the Chinese, and only by the continuance of Hongkong as a free port.

4. Notwithstanding that the whole interests of your Petitioners are thus inextricably and permanently bound up in the good Administration of the Colony, in the efficiency of its Executive, and the soundness of its Finance, your Petitioners are allowed to take only a limited part or small share in the Government of the Colony, and are not permitted to have any really effective voice in the management of its affairs, external or internal. Being purely a Crown Colony, it is governed by a Governor appointed by Her Most Gracious Majesty the QUEEN, and by an Executive and a Legislative Council. The former is composed wholly of Officers of the Crown, nominated and appointed by the Crown; the latter consists of Official Members, selected and appointed by the QUEEN, and five Unofficial Members, two of whom are nominated by certain public bodies in the Colony, while the other three are selected by the Governor, and all are appointed by Her Majesty.

5. The Executive Council sits and deliberates in secret. The Legislative Council sits with open doors, and its procedure appears to admit of full and unfettered discussion, but there is virtually no true freedom of debate. Questions are considered, and settled, and the policy to be adopted by the Government in connection therewith is decided in the Executive Council. They are then brought before the Legislative Council, where the Government - the Official Members being in a majority - can secure the passing of any measure, in face of any opposition on the part of the Unofficial Members, who are thus limited to objecting and protesting and have no power to carry any proposal which they may consider beneficial, nor have they power to reject or even modify any measure which may in their opinion be prejudicial to the interests of the Colony.

6. In the adjustment and disposal of the Colonial Revenue it might be supposed that the Unofficial Representatives of the tax-payers would be allowed a potential voice, and in form this has been conceded by the Government. But only in form, for in the Finance Committee, as well as in the Legislative Council, the Unofficial Members are in a Minority, and can therefore be out-voted if any real difference of opinion arises.

7. Legislative Enactments are nearly always drafted by the Attorney General, are frequently forwarded before publication in the Colony or to the Council for the approval of the Secretary of State, and when sanctioned are introduced into the Legislative Council, read a first, second, and third time, and passed by the votes of the Official Members, acting in obedience to instructions, irrespective of their personal views or private opinions.

The Legislation so prepared and passed emanates in some cases from persons whose short experience of and want of actual touch with the Colony's needs, does not qualify them to fully appreciate the measures best suited to the requirements of the Community.

8. Those who have the knowledge and experience are naturally the Unofficial Members, who have been elected and appointed as possessing these very qualifications, who have passed large portions of their lives in the Colony, and who either have permanent personal interests in it, or hold prominent positions of trust which connect them most closely with its affairs, and are therefore the more likely to have been required to carefully study its real needs, and to have thoroughly acquainted themselves with the methods by which these are best to be met. On the other hand the Offices occupied by the Official Members are only stepping stones in an official career; the Occupants may be resident for a longer or a shorter period in the Colony, and for them to form an opinion on any question which arises, different from that decided upon by the Government in Executive Council, is to risk a conflict with the Governor, and they are therefore compelled to vote on occasions contrary to their convictions.

9. Your Petitioners humbly represent that to Malta, Cyprus, Mauritius, British Honduras, and other Crown Colonies, more liberal forms of Government than those enjoyed by your Petitioners have been given; Unofficial seats in the Executive Council; Unofficial majorities in the Legislative Council; power of election of Members of Council; and more power and influence in the management of purely local affairs; in none of these Colonies are the Commercial and Industrial interests of the same magnitude or importance as those of Hongkong. Your Petitioners, therefore, pray your Honourable House to grant them the same or similar privileges.

10. Your Petitioners fully recognise that in a Colony so peculiarly situated on the borders of a great Oriental Empire, and with a population largely composed of aliens whose traditional and family interests and racial sympathies largely remain in that neighbouring Empire, special legislation and guardianship are required. Nor are they less alive to the Imperial position of a Colony which is at once a frontier Fortress and a Naval Depot, the head quarters of Her Majesty's Fleet, and the base for Naval and Military operations in these Far Eastern waters; and they are not so unpractical as to expect that unrestricted power should be given to any local Legislature, or that the QUEEN's Government could ever give up the paramount control of this important Dependency. All Your Petitioners claim is the common right of Englishmen to manage their local affairs and control the Expenditure of the Colony, where Imperial considerations are not involved.

11. At present your Petitioners are subject to Legislation issuing from the Imperial Parliament, and all local legislation must be subsidiary to it. Her Majesty the QUEEN in Council has full and complete power and authority to make laws for the Island, and local laws must be approved and assented to by the Governor in the name of the QUEEN, and are subject to disallowance by Her Majesty on the recommendation of Her Principal Secretary of State for the Colonies.

12. Your Petitioners recognise the necessity and propriety of the existence of these checks and safeguards against the abuse of any

power and authority exercised by any local Legislature, and cheerfully acquiesce in their continuance and effective exercise, but respectfully submit that, subject to these checks and safeguards, they ought to be allowed the free election of Representatives of British Nationality in the Legislative Council of the Colony; a majority in the Council of such elected Representatives; perfect freedom of debate for the Official Members, with power to vote according to their conscientious convictions without being called to account or endangered in their positions by their votes; complete control in the Council over local expenditure; the management of local affairs; and a consultative voice in questions of an Imperial character.

Your Petitioners therefore most humbly pray your Honourable House to move Her Most Gracious Majesty the QUEEN to amend by Order in Council the constitution of this Crown Colony, and to grant to your Petitioners, and to the inhabitants of Hongkong in all time to come the rights and privileges hereinbefore mentioned.

(Signed by 362 Merchants, Bankers, Professional Men, Traders, Artisans, and other Ratepayers, inhabitants of the Crown Colony of Hongkong)

Dispatch from the Secretary of State, the Marquis of Ripon, to Sir William Robinson, No. 135 23rd August, 1894 replying to the Petition of the Merchants, Bankers, etc., and inhabitants of Hongkong 1894.

CO 129/263

HONGKONG

DOWNING STREET,

No. 135.

23rd August, 1894

SIR,

I have the honour to acknowledge the receipt of your despatch No. 133 of the 5th of June last enclosing a petition addressed to the House of Commons by various residents at Hongkong praying for an amendment of the constitution of the Colony.

2. This petition was forwarded to you by Mr. WHITEHEAD, Member of the Legislative Council, and though, among his colleagues in the Council, Mr. KESWICK and Mr. BELILIOS have refused to sign it, it bears the signatures of Mr. CHATER and Dr. HO KAI, both Members of the Council, of Mr. JACKSON, Manager of The Hongkong and Shanghai Bank, and of other leading residents. I am therefore bound to assume that it is the matured conviction of at least a considerable proportion of the most influential members of the community that constitutional changes are desirable at Hongkong and that for the present Crown Colony System should be substituted some measure of self-government. It is my duty to examine the arguments which have been brought forward, with care and attention; and I should

be wanting in courtesy if I did not give a full answer to a petition, which is far-reaching in its scope, and which has been strongly supported.

3. The petitioners have addressed themselves to the House of Commons, as they have of course every right to do. From this it is natural to infer that they consider that they have grounds for discontent, which the Secretary of State is unwilling or unable to remove, and that they wish to emphasise in a suitable and reasonable manner the objections which they feel to the existing system.

4. They ask that, subject to Imperial checks and safeguards, they may be granted -

(a) "The free election of representatives of British nationality in the Legislative Council of the Colony".

(b) "A majority in the Council of such elected representatives."

(c) "Perfect freedom of debate for the Official Members with power to vote according to their conscientious convictions".

(d) "Complete control in the Council over local expenditure."

(e) "The management of local affairs."

(f) "A consultative voice in questions of an Imperial character."

They quote the Colonies of Malta, Cyprus, Mauritius and British Honduras as enjoying more liberal forms of government than that under which they are themselves living at Hongkong. They lay stress upon the commercial energy which has raised the Colony to its present position of importance. They claim "the common right of Englishmen to manage their local affairs and control the expenditure of the Colony where Imperial considerations are not involved".

5. Hongkong, when 53 years ago it became a British possession, was inhabited, I understand, by some 7,000 to 12,000 Chinese squatters and fishermen. According to the census of 1891 the population, in round numbers, amounted to 221,400, of whom 211,000 or more than nine-tenths, were Chinese. The Europeans and Americans numbered 8,500 and nationalities other than Europeans, Americans, and Chinese, 1,900. The census further analyses, as follows, the European and American population.

Out of the total of 8,500, the resident civil population amounted only to 4,200 the British military and naval forces numbered 2,900, and the remaining 1,400 represented merchant seamen, police, and others.

Of the 4,200 individuals, who constituted the European and American Civil population, 1,450 only were returned as British.

Of this number not more than 800 were adult males, and therefore presumably not more than 800 of them would be entitled to vote.

6. I shall revert to these figures shortly in connexion with the question of popular representation. Meanwhile it may be deduced from them that under the existing form of government the population of Hongkong has in half a century increased (say) twenty fold which is *prima facie* evidence, as you suggest in your despatch, that the Colony has been well governed, but a further deduction has also to be made, and that is that under the protection of the British Government Hongkong has become rather a Chinese than an European community: and the fact that the Chinese have settled in the island in such large numbers has not only been one main element in its prosperity, but also the most practical and irrefutable evidence that the government, under which a politically timid race such as the Chinese have shown every desire to live, must have at least possessed some measure of strength and of justice. How far Hongkong is a Chinese settlement, how far the Chinese have paid the taxes and contributed to the trade, is touched upon in Mr. LOCKHART'S excellent memorandum which accompanies your despatch. He is clearly of opinion also that the tendency is for the trade of the Colony to pass more and more into Chinese hands.

I cordially welcome what is said in the petition as to the skill and energy of the British merchants who have been or still are residents in Hongkong, and I can testify with pleasure to their public spirit. But the fact remains that the overwhelming mass of the community are Chinese, that they have thriven under a certain form of government and that in any scheme involving a change of administration their wishes should be consulted and their interests carefully watched and guarded.

7. The communities with which Hongkong is in the petition unfavourably contrasted, as regards its mode of government, are Malta, Cyprus, Mauritius, and British Honduras. Hongkong, it seems to me, differs from all of these four dependencies of the British Crown alike in degree and in kind. It is smaller than any of them, it has no history or traditions, no record of old settlement or of political usages and constitutional rights. It has practically no indigenous population; and, if I understand right, it has few life-long residents, whether European or Chinese.

8. It is perhaps a fair account of Hongkong and its fortunes as a British Colony, to say that 50 years ago it was taken by and for the British Crown to serve Imperial purposes, and to safeguard British trade in the Far East.

Holding a commanding position at the mouth of the Canton river, endowed by nature with a fine harbour, which has been carefully kept as a free port, like the Sister Crown Colony of the Straits Settlements, strongly protected by an Imperial garrison and British ships of war, it has owed its prosperity to these advantages, as well as to the policy of the Imperial Government, and to the fact that, being strongly guarded, it has attracted a large Chinese

population who have found that under British rule their lives and their property have been safe.

I should be inclined to judge not merely that it has prospered as a Crown Colony but that it has prospered in great measure because it has been a Crown Colony.

9. It may, however, be contended that while the Crown Colony system was suited to the infancy of the Colony, it is now time that a larger measure of self-government should be conceded.

I therefore propose very shortly to examine the separate points as to which the petitioners suggest that some concession should be made.

10. They ask in the first place for "the free election of representatives of British nationality in the Legislative Council of the Colony."

The words are somewhat ambiguous. They may mean that the voters should be of any nationality European, American, Asiatic or Chinese, provided that the representatives for whom they vote are of British nationality. The term British nationality again may be taken to mean either British subjects of all nationalities or simply persons who have been born or are the children of those who have been born in the United Kingdom. I assume, however, that what the words are intended to convey is that the English, Scotch and Irish in Hongkong should elect representatives of themselves to the Legislative Council. If this is the meaning then it is obvious from the figures which have been given above that considerably more than nine-tenths of the population will be entirely excluded from the franchise, that Europeans who are not of the category described, and Americans will be excluded as well as Chinese, and that among those British residents who alone will be, it is presumed, entitled to vote, the civil element, some proportion of which moreover consists of Government officials, will be swamped by the military and naval element.

It may be said that the naval and military forces should be debarred from voting on the ground that they are not resident in the Colony, but the same objection would apply also, though possibly in a lesser degree, to the civil population. Indeed, over and above any other arguments which can be urged against representative government in Hongkong, it appears to me that the transient character of the population is by itself a serious obstacle.

11. The second claim is the complement or rather the extension of the first. The petitioners ask not only that there shall be elected representatives in the Council, but that there shall be a majority of such representatives, in other words that, at any rate as regards legislation, the power shall be vested in a very small section of the population, and that more than nine-tenths of it shall be controlled by representatives of the small remainder.

12. The third demand is that the Official Members shall be allowed to speak and vote as they please. It is a demand which is familiar in the case of Crown colonies, but only one answer can be given to it, viz., that the paid servants of the Government cannot be left free to oppose the Government. I should be surprised to learn that the Officials themselves wished to be given this freedom.

It is in fact not peculiar to the Crown Colony system; it is of the essence of all administration that the paid supporters or components of a government should either vote for and when necessary speak for the settled policy of the government or else resign their places.

13. The fourth and fifth claims are to the effect that the Council, or rather the elected majority in the Council, should have complete control over local expenditure and the management of local affairs.

There is point no doubt in these contentions, in that the municipal institutions, which are to be found in Ceylon and the Straits Settlements, do not exist in Hongkong, but the difficulty at Hongkong is and must be to draw a line between matters which might be entrusted to a municipal council and the business which must be reserved for the Colonial Government. In saying this I am aware that possibly or even probably a municipality would not meet the aspirations of the petitioners, and that they may place a wider construction upon the terms "local expenditure" and "local affairs" than I have placed upon them.

14. One of the difficulties with which I am met in dealing with this petition arises from the fact that the words employed require to be more accurately defined before their meaning and the intention with which they are used can be fully gauged. The criticism especially applies to the last in the list of the petitioners' claims, viz., that they should be given a consultative voice in questions of an Imperial character. This sentence seems to point to some kind of Imperial Federation, and it is possibly written with reference to the military contribution question which has not been without difficulty in various colonies including Hong Kong. The subject raised is so wide and so vague that it would be useless to attempt to discuss it. The question of a general remodelling of the colonial system of Great Britain - for it would probably amount to no less - as it would necessarily become part of any scheme for a Federation of the Empire is a most interesting question; but one of too wide and far-reaching a scope to be dealt with in regard to a single case alone. But I may state simply that under the existing system when questions arise which concern the various colonies, it has been the endeavour of my predecessors in office, and it is my own earnest endeavour, that the claims, the interests, and even the prejudices of each colony shall be adequately set forth, and fully and fairly considered.

15. To sum up, the petitioners ask nominally that Hongkong should be given self-government, and an elective system. In my opinion the place and its circumstances are wholly unsuited for what is proposed.

An Imperial Station with great Imperial interests, on the borders of a foreign land, the nucleus of wide-reaching British interests in the Far East, must, it appears to me, be kept under Imperial protection and under Imperial control.

In saying this much I am assuming that self-government would be worthy of the name, and that the elective system would include all ranks of the community, but this is not what the petition demands. Those who framed it and signed it would, I gather, desire to place the power in the hands of a select few, and to constitute a small oligarchy, restricted by the lines of race. To any such change I am opposed. I consider that the well-being of the large majority of the inhabitants is more likely to be safeguarded by the Crown Colony system - under which, as far as possible no distinction is made of rank or race, than by representation which would leave the bulk of the population wholly unrepresented.

I can therefore hold out no hope that Hongkong will cease to be a Crown Colony.

16. It remains to consider whether any step can be taken which, while not interfering with the Crown Colony system, would slightly modify the existing constitution in the direction in which the petition points.

There appear to be three practical suggestions which are worthy of consideration -

- (a) Increasing the number of unofficial Members of the Legislative Council.
- (b) Introducing an Unofficial element into the Executive Council.
- (c) Creating a Municipal Council.

17. As regards the first of these three points, I am not inclined to add to the number of the Unofficial Members without at the same time increasing also the number of Official Members, for in a Crown Colony there must be a very distinct preponderance on the Official side, and that the natural result of evenly balancing the numbers of Officials and Unofficials is friction and irritation.

With this proviso; there is, as far as I can judge, no strong objection to increasing the numbers of the Council, except that for practical working purposes the number is already sufficiently large. If, however, an addition is made, it is difficult on equitable grounds to resist the conclusion that another Chinese representative should be appointed. On the other hand, this is contrary to the wishes of the petitioners as far as I understand

them; and Mr. Keswick who, in his interesting and temperate letter, which is enclosed in your dispatch, advocates the appointment of an additional Unofficial member to the Legislative Council, strongly deprecates "the addition to the Legislative Council of a second representative of the Chinese".

The balance of the argument therefore appears to be against any change in the present number and composition of the Legislative Council.

18. The second suggestion is that an Unofficial Member should be appointed to the Executive Council. The suggestion is made by Mr. Keswick, and you state in your dispatch that you have personally no objection to it, and that the concession would be very popular and not altogether impolitic.

I can well realise that the addition of a gentleman of high standing and great local experience would be a gain to the Executive Council, and I shall be prepared to sanction the proposal if you still recommend it after further considering the following points.

In none of the three Eastern colonies at the present time is there any unofficial element in the Executive Council, and I am not clear that the step would in all cases be actively beneficial, whereas I am quite clear that the existing system has on the whole worked well, and that therefore there is no strong reason for disturbing it.

In the next place I note that Mr. Keswick proposes that the Unofficial Member should be of English birth. It must, however, be taken into consideration that it would be invidious and inequitable to lay down that Chinese subjects of the Queen shall be debarred from appointment to the Executive Council, and therefore the possibility of the appointment being hereafter filled by a Chinese gentleman must be reckoned with.

In the third place, you state that practically unofficial assistance in the Executive Council "could always be obtained, if the status quo were maintained" and you add that you "invariably consult the Unofficial Members before bringing into Council measures of purely local interest". There is therefore not likely to be much practical gain from the formal appointment of an Unofficial Member of the Executive Council.

It has occurred to me that possibly, instead of making any such appointment, some understanding might be come to that in the case of discussion of specified local subjects, at any rate so long as there is no municipality in existence at Hongkong, one or more Unofficial Members should be summoned to take part in the proceedings of the Executive Council, without giving them seats on the Council for all purposes. This is a point on which I shall be glad to have your opinion.

19. With regard to the institution of a municipal council, I frankly say that I should like to see one established at Hongkong. But there appear to be two practical difficulties in the way. The first is the present crisis. I am not prepared to sanction any important change of administration, until the future is tolerably clear and until the necessary measures for protecting the health of the Colony have been finally decided upon and brought into operation. Then, in a clear field, it may be possible to create a municipal body with some prospect of success.

The second difficulty, to which allusion has already been made, is that of separating municipal from Colonial matters. I am not confident that that difficulty can be overcome, nor am I confident that a municipality would be welcome to and work harmoniously with the military authorities. Still it is possible that the Sanitary Board might be developed into a satisfactory Municipal Council controlling all or some of the revenue which is now derived from rates. Whether any scheme of the kind is feasible I would ask you carefully to consider at your leisure, and in the meantime you are at liberty, if you see occasion to do so, to give publicity to this dispatch.

I have the Honour to be, Sir,
your most obedient, humble servant,

RIPON.

Dispatch from the Secretary of State, Joseph Chamberlain
to the Governor, Sir William Robinson. No. 119, 29th May
1896. Relating to the Petition of 1894. Hong Kong
Sessional Papers 1896.

HONGKONG

DOWNING STREET,

No. 119

29th May, 1896.

SIR,

I have had under my consideration the correspondence which has passed in consequence of the petition for an amendment of the constitution of Hongkong which was addressed to the House of Commons in the year 1894 and on which my predecessor had not given a final decision before he left office.

2. I should have been glad to be able to communicate with you on the subject at an earlier date but, as you are aware, the pressure of business at this Department has been exceptional for some time past.

3. In his despatch of the 23rd of August, 1894, Lord RIPON stated that he could hold out no hope that Hongkong will cease to be a Crown Colony. Neither can I hold out any such hope, for I conceive that in the case of Hongkong, Representative Government on whatever form of franchise it might be based, and with whatever supposed safeguards as to the Executive power would be wholly out of place.

4. There remain two practical points to be decided. The first is whether the present constitution of the Legislative Council should be in any way modified. The second is whether an unofficial element should be introduced into the Executive Council.

5. On the first of these two points my view is as follows:- I gather that the Legislative Council, as at present constituted, is large enough for practical purposes, and that an increase to its numbers is hardly likely to add to its efficiency to any appreciable extent. As Hongkong is to remain a Crown Colony no useful purpose would be served, but on the contrary a considerable amount of needless irritation would be caused by balancing evenly the unofficial members and the officials. But having regard to the fact that, in the absence of the Governor, the Officer Commanding the Troops will in future administer the Government, I consider that it would be of advantage that he should be a member of the Legislative Council, and if he is added to it, I am willing to add one unofficial member to the unofficial bench. Who the latter should be and what special interest, if any, he should represent, I leave to the Governor to determine. I may observe, however, that the Chinese community is the element which is least represented while it is also far the most numerous, and that I should regard as valuable any step which tended to attach them more closely to the British connection, and to increase their practical interest in public affairs.

6. As regards the second point, namely, whether or not an unofficial element should be introduced into the Executive Council, I would observe that, whilst most of the larger Crown Colonies possess one or more Municipal Councils, subordinate to the Colonial Government, in Hongkong there is no such institution. Moreover, it seems impracticable to alter this state of things for this reason among others: that the Colony and the Municipality would be in great measure co-extensive, and it would be almost impossible to draw the line between Colonial and Municipal matters.

This being so, in my opinion the most practical course is to recognise that the Colonial Government is discharging Municipal duties, and that on that account representatives of the citizens may fairly be given a place on the Executive.

7. I therefore propose that the Executive Council shall in future include two unofficial members to be selected at the discretion of the Governor. It is obviously desirable that they should, as a rule, be chosen from among the unofficial members of the Legislative Council, and the choice should, and no doubt will be, inspired by consideration of personal merit, and have no reference to the particular class or race to which the persons chosen belong.

8. you will receive in due course amended Royal Instructions and in the meantime this despatch may be made public with an intimation that the subject has been considered from every point of view and that my decision is to be regarded as final.

I have the honour to be, Sir,
Your most obedient, humble Servant,

J. CHAMBERLAIN

Governor

Sir W. ROBINSON, K.C.M.G.,

&c

&c.

&c

(73476)

VIII. EXTENSION OF THE BOUNDARIES

This section needs little introduction and has been included mainly to round off the picture of the Colony. Documents 49 and 50 cover the cession of Kowloon Peninsula by the Convention of Peking 1860; the first shows Lord John Russell's nervousness in making territorial demands on China, fearing that other countries might make similar demands; the second gives the terms of the perpetual lease secured by Sir Harry Parkes, and Article VI of the Convention of Peking 1860 has been added to show the conversion of the lease into a cession.

The next document No. 51 is the 1898 Convention of Peking by which the New Territories were leased for 99 years. An interesting feature is the number of clauses safeguarding Chinese interests in the area, the reason being that the British action was brought about mainly by fear of the consequences of the Franco-Russian alliance of 1893, and not through fear of China.

DOCUMENT NO. 49

Dispatch from Lord John Russell to Earl of Elgin and Kincardine April 25, 1860 relating to the Cession of Kowloon.

Secret No. 11

Foreign Office
April 25, 1860

My Lord,

I have received your despatch of 24th inst. submitting in reply to my despatch No. 4 of the 18th inst. that any attempt to obtain, as part of a new Treaty arrangement with China, if such should be the result of Y.E.'s special embassy, the cession of the Kowloon Peninsula might be attended with inconvenience, and that the least objectionable mode of effecting that object would be to obtain the cession by purchase in lieu of what may be deemed an equivalent portion of the indemnity to be demanded from China.

The acquisition of the Peninsula would undoubtedly be a great convenience as far as the interests of Her Majesty's Colony of Hongkong are concerned; but if it were to form a precedent for a demand of a corresponding concession on the part of any other Power in some other quarter, the convenience would be too dearly purchased.

It may be also that even the modified form in which Y.E. suggests the Peninsula might be acquired (i.e. as set against indemnity, by purchase) might be open to the same objection.

All therefore that I can say to Y.E. on this matter is that Her Majesty's Government would gladly acquire possession of the Cowloon Peninsula, but must leave to your discretion the best means of doing so, or even to abstain altogether from attempting to do so, if it is likely in your opinion to lead to other demands injurious to China and unfavourable to British interests.

I am, &c.

(Signed) J. RUSSELL

DOCUMENT NO. 50

The Lease and Cession of Kowloon

- (a) A Deed of Lease [Enclosed in a Dispatch from Sir Hercules Robinson to Duke of Newcastle, No. 33, 20 March 1860]

Between Laou, wearing a decoration of the first rank, a Director of the Board of War, Censor of Right, Governor-General of the Provinces of Kwangtung and Kwang-se, and commander-in-Chief of the same on the part of the Chinese Government, and Harry Smith Parkes Esq., one of the Allied Commissioners for the Government of the City of Canton on the part of the British Government to hold in proof of the undermentioned agreement.

Whereas Tseem-sha-tsuy and its neighbourhood situated in the subdistrict of Kowloon in the district of Sun-on, and consisting for the most part of barren hills that cannot be cultivated, has hitherto formed a place of resort for thieves and outlaws, who, availing themselves of the immediate proximity of Victoria, constantly cross to Hong Kong and commit depredations in that settlement to the serious injury of British subjects who can obtain no redress against these marauders. - therefore Laou the Governor-General and Harry Smith Parkes, the Commissioner, aforesaid, have agreed and determined that all that part of the Kowloon Peninsula lying south of a line drawn from a point near to but south of the Kowloon fort to the northern-most point of Stone-cutter Island, together with that Island, as shown in the accompanying map, shall be leased, as a preliminary measure, to Harry Smith Parkes, the Commissioner aforesaid, acting on behalf of the British Government, in order that the latter may exercise complete control over the same, and take measures for the protection of the good population and the expulsion or punishment of the bad, as well as for bringing the whole locality into order and preventing it becoming a resort for thieves. It is further stipulated and agreed that a rental of five hundred taels of silver shall be annually paid for the same to the local Chinese

authorities, and that no claim can ever be made by the Chinese Government for the return of the said ground as long as the British Government punctually pay to them the said amount of rent. And this agreement will continue in force until, in due representation to be made by the Governor-General Laou, aforesaid, to the Supreme Government of China the commands of his Imperial Majesty shall be received authorising the conclusion of other arrangements of a more permanent character.

These done in duplicate, each of the parties aforesaid one copy at Canton, this twentieth day of March in the year of the Christian era 1860 (in words) being the 28th day of the second month of the tenth year of the reign of the Emperor of Sheen fung.

True Copy

Signed: WM. M. COOPER

- (b) Convention of Peace between Her Majesty and the Emperor of China signed at Peking, October 24th 1860.

ARTICLE VI

With a view to the maintenance of law and order in and about the harbour of Hong Kong, His Imperial Majesty the Emperor of China agrees to cede to Her Majesty the Queen of Great Britain and Ireland, and to Her Heirs and Successors to have and to hold as a Dependency of Her Britannic Majesty's Colony of Hong Kong that portion of the Township of Cowloon in the Province of Kwangtung, of which a lease was granted in perpetuity to Harry Smith Parkes, Esquire, Companion of the Bath, a member of the Allied Commission at Canton, on behalf of Her Britannic Majesty's Government by Lau Tsung-kwang, Governor General of the Two Kwang.

It is further declared that the lease in question is hereby cancelled, that the claims of any Chinese to property on the said portion of Cowloon shall be duly investigated by a mixed commission of British and Chinese officers, and that compensation shall be awarded by the British Government to any Chinese whose claim shall be by the said Commission established, should his removal be deemed necessary by the British Government.

Treaties printed in Hong Kong Government Notification.
No. 139 11th December 1860 and published in Government Gazette.

DOCUMENT NO. 51

**CONVENTION between Great Britain and China respecting an Extension of Hong Kong Territory. Signed at Peking, 9th June, 1898. [Signed also in Chinese]
[Ratifications exchanged at London, August 6, 1898.]**

WHEREAS it has for many years past been recognized that an extension of Hong Kong territory is necessary for the proper defence and protection of the Colony.

ENLARGEMENT OF BRITISH TERRITORY, UNDER LEASE

It has now been agreed between the Governments of Great Britain and China that the limits of British territory shall be enlarged under lease to the extent indicated generally on the annexed map. The exact boundaries shall be hereafter fixed when proper surveys have been made by officials appointed by the two Governments. The term of this lease shall be ninety-nine years.

JURISDICTION

It is at the same time agreed that within the city of Kowloon the Chinese officials now stationed there shall continue to exercise jurisdiction except so far as may be inconsistent with the military requirements for the defence of Hong Kong. Within the remainder of the newly-leased territory Great Britain shall have sole jurisdiction. Chinese officials and people shall be allowed as heretofore to use the road from Kowloon to Hsinan.

USE OF LANDING PLACE, NEAR KOWLOON, BY CHINESE

It is further agreed that the existing landing-place near Kowloon city shall be reserved for the convenience of Chinese men-of-war, merchant and passenger vessels, which may come and go and lie there at their pleasure; and for the convenience of movement of the officials and people within the city.

RAILWAY

When hereafter China constructs a railway to the boundary of the Kowloon territory under British control, arrangements shall be discussed.

NO EXPROPRIATION OR EXPULSION OF NATIVES

It is further understood that there will be no expropriation or expulsion of the inhabitants of the district included within the extension, and that if land is required for public offices, fortifications, or the like official purposes, it shall be bought at a fair price.

EXTRADITION

If cases of extradition of criminals occur, they shall be dealt with in accordance with the existing Treaties between Great Britain and China and the Hong Kong Regulations.

USE OF MIRS BAY AND DEEP BAY BY CHINESE SHIPS OF WAR

The area leased to Great Britain, as shown on the annexed map, includes the waters of Mirs Bay and Deep Bay, but it is agreed that Chinese vessels of war, whether neutral or otherwise, shall retain the right to use those waters.

RATIFICATIONS

The Convention shall come into force on the 1st day of July, 1898, being the 13th day of the 5th moon of the 24th year of Kuang Hsü. It shall be ratified by the Sovereigns of the two countries, and the ratifications shall be exchanged in London as soon as possible.

In witness whereof the Undersigned, duly authorised thereto by their respective Governments, have signed the present Agreement.

Done at Peking in quadruplicate (four copies in English and four in Chinese) the 9th day of June, in the year of our Lord 1898, being the 21st day of the 4th moon of the 24th year of Kuang Hsü.

(L.S.) CLAUDE M. MACDONALD

(L.S.) [Seal of Chinese Plenipotentiary]

APPENDIX I

List of Governors of the Colony of Hong Kong

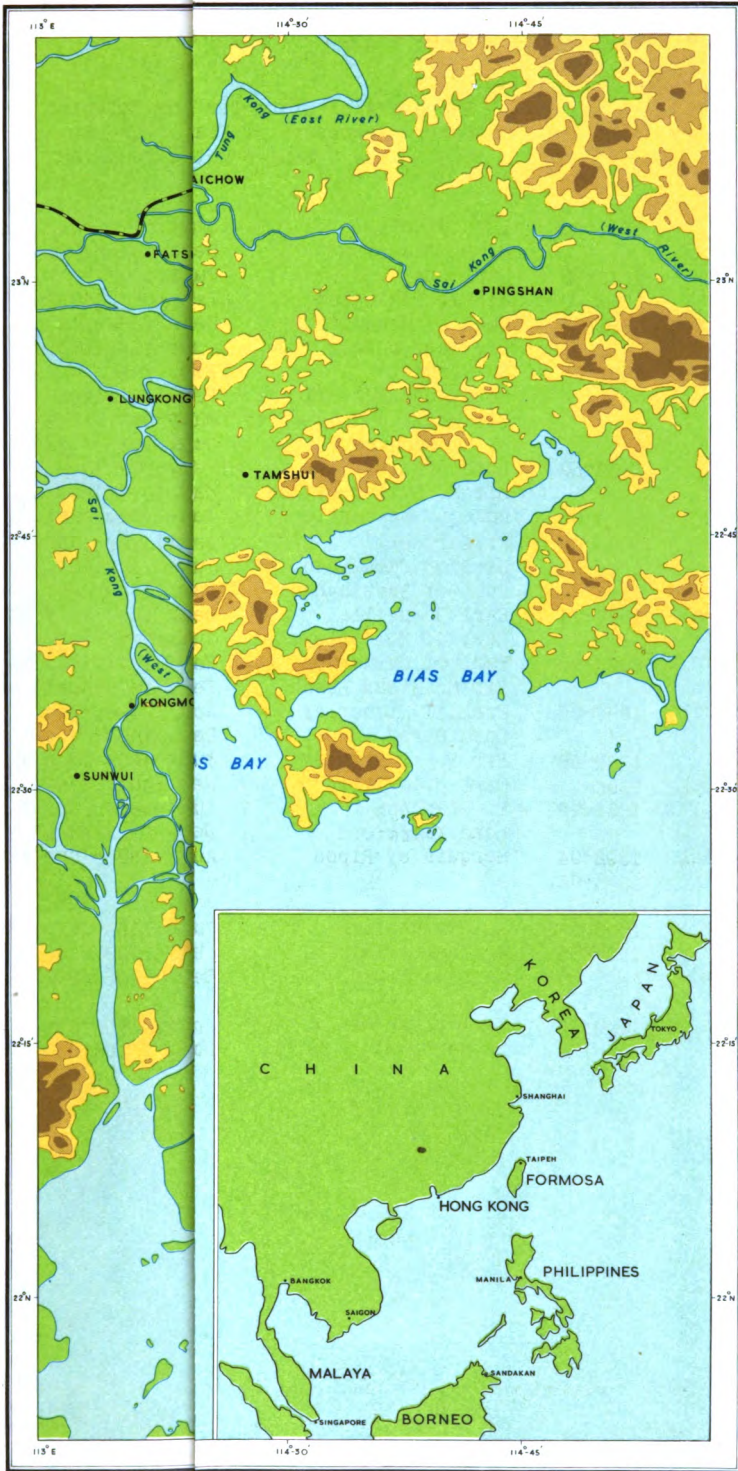
| | | |
|-------------------------------|----------------|----------------------|
| Capt. Charles Elliot | Administrator | Jan.-Aug. 1841 |
| Sir Henry Pottinger | Administrator | Aug. 1841-June 1843 |
| | Governor | June 1843-May 1844 |
| Sir John F. Davis | | May 1844-Mar. 1848 |
| Sir S. George Bonham | | Mar. 1848-April 1854 |
| Sir John Bowring | | April 1854-May 1859 |
| Sir Hercules Robinson | | Sept. 1859-Mar. 1863 |
| W. T. Mercer | [Administered] | Mar. 1865-Mar. 1866 |
| Sir Richard Graves MacDonnell | | Mar. 1866-April 1872 |
| Sir Arthur E. Kennedy | | April 1872-Mar. 1877 |
| Sir John Pope Hennessy | | April 1877-Mar. 1882 |
| W. H. Marsh | [Administered] | Mar. 1882-Mar. 1883 |
| Sir George F. Bowen | | Mar. 1883-Dec. 1885 |
| W. H. Marsh | [Administered] | Dec. 1885-April 1887 |
| Major-General N. G. Cameron | [Administered] | April-Oct. 1887 |
| Sir William Des Voeux | | Oct. 1887-May 1891 |
| Major-General Digby Barker | [Administered] | May-December 1891 |
| Sir William Robinson | | Dec. 1891-Jan. 1898 |
| Major-General W. Black | [Administered] | Feb.-Nov. 1898 |
| Sir Henry A. Blake | | Nov. 1898-Nov. 1903 |
| F. H. May | [Administered] | Nov. 1903-July 1904 |
| Sir Matthew Nathan | | July 1904-April 1907 |
| Sir Frederick Lugard | | July 1907-Mar. 1912 |
| Sir Francis H. May | | July 1912-Feb. 1919 |
| Sir Reginald E. Stubbs | | Sept. 1919-Oct. 1925 |
| Sir Cecil Clementi | | Nov. 1925-Feb. 1930 |
| Sir William Peel | | May 1930-May 1935 |
| Sir Andrew Caldecott | | Dec. 1935-April 1937 |
| Sir Geoffrey Northcote | | Nov. 1937-May 1940 |
| Sir Mark Young | | Sept. 1941-May 1947 |
| Sir Alexander Grantham | | July 1947-Dec. 1957 |
| Sir Robert Black | | Jan. 1958 |

APPENDIX 2

List of Secretaries of State for the Colonies

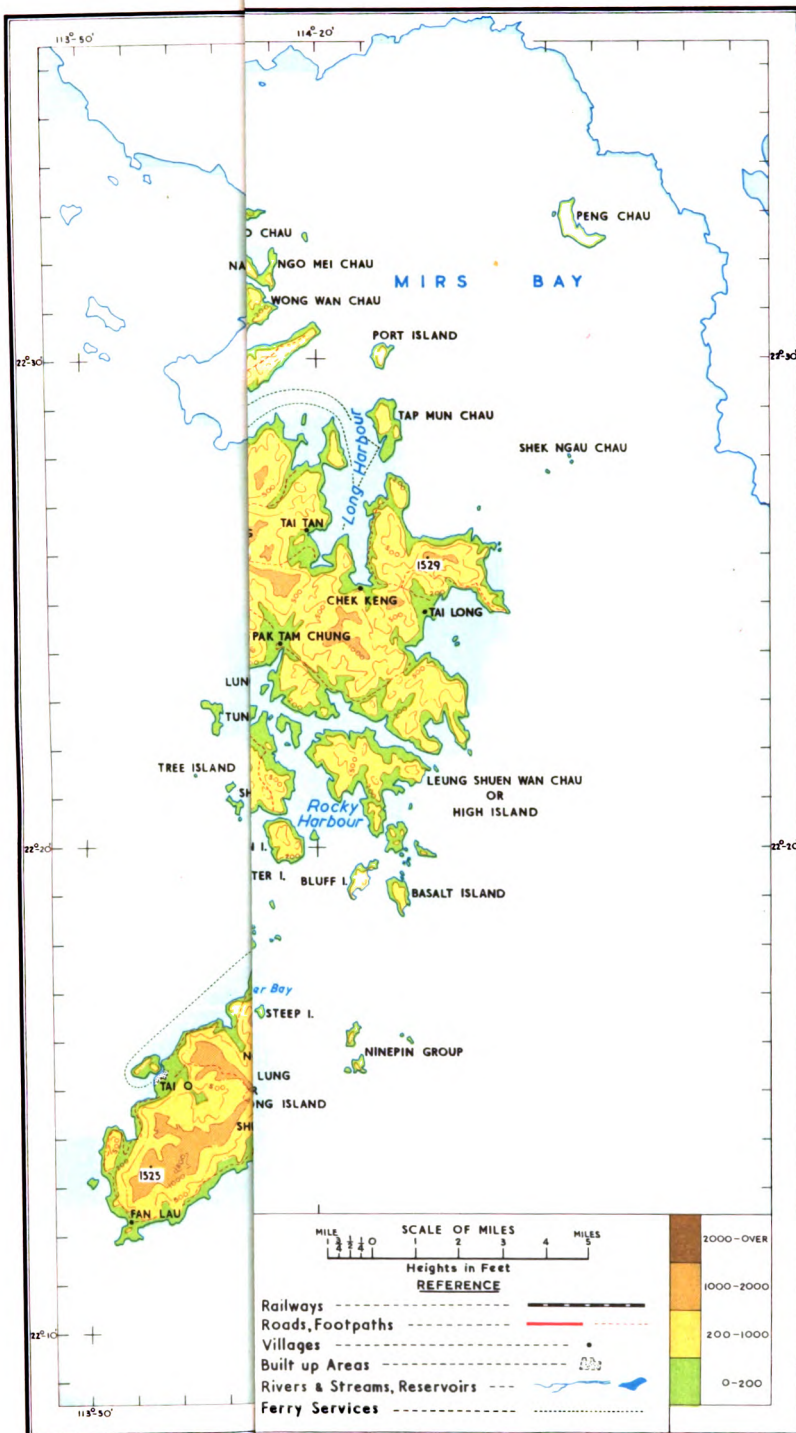
| Ministry | | Secretary of State for the Colonies | |
|--------------------------------|-----------|-------------------------------------------------------------------|----------------------|
| | | Note: Secretary of State for War and the Colonies until June 1854 | |
| Peel, Tory | 1841-46 | Lord Stanley | Sept. 1841-Dec. 1845 |
| | | W. E. Gladstone | Dec. 1845-July 1846 |
| Russell, Whig | 1846-52 | Earl Grey | July 1846-Feb. 1852 |
| Derby, Tory | 1852 | Sir J. Pakington | Feb.-Dec. 1852 |
| Aberdeen, Coalition | 1852-55 | Duke of Newcastle | Dec. 1852-June 1854 |
| | | Sir George Grey | June 1854-Feb. 1855 |
| Palmerston, Whig | 1855-58 | S. Herbert | Feb. 1855 |
| | | Lord John Russell | Feb.-July 1855 |
| | | Sir William Molesworth | July-Oct. 1855 |
| | | H. Labouchere | Oct. 1855-Feb. 1858 |
| Derby, Tory | 1858-59 | Lord Stanley | Feb.-May 1858 |
| | | Sir E. Bulwer-Lytton | May 1858-June 1859 |
| Palmerston, Whig | 1859-65 | Duke of Newcastle | June 1859-April 1864 |
| Russell, Whig | 1865-66 | E. Cardwell | April 1864-June 1866 |
| Derby, Tory | 1866-68 | Earl of Carnarvon | June 1866-Mar. 1867 |
| Disraeli, Tory | 1868 | Duke of Buckingham | Mar. 1867-Dec. 1868 |
| Gladstone, Liberal | 1868-74 | Earl Granville | Dec. 1868-July 1870 |
| | | Earl of Kimberley | July 1870-Feb. 1874 |
| Disraeli, Tory | 1874-80 | Earl of Carnarvon | Feb. 1874-Feb. 1878 |
| | | Sir M. Hicks Beach | Feb. 1878-April 1880 |
| Gladstone, Liberal | 1880-85 | Earl of Kimberley | April 1880-Dec. 1882 |
| | | Lord Derby | Dec. 1882-June 1885 |
| Salisbury, Tory | 1885-86 | Sir F. A. Stanley | June 1885-June 1886 |
| Gladstone, Liberal | 1886 | Earl Granville | Feb.-Aug. 1886 |
| Salisbury, Unionist | 1886-92 | E. Stanhope | Aug. 1886-Jan. 1887 |
| | | Lord Knutsford | Jan. 1887-Aug. 1892 |
| Gladstone, Liberal | 1892-94 | Marquis of Ripon | Aug. 1892-June 1895 |
| Lord Rosebery, Liberal | 1894-95 | | |
| Salisbury, Unionist | 1895-1902 | J. Chamberlain | June 1895-July 1902 |
| Balfour, Unionist | 1902-05 | J. Chamberlain | July 1902-Dec. 1905 |
| Campbell-Bannerman, Liberal | 1905-08 | Earl of Elgin | Dec. 1905-April 1908 |
| Asquith, Liberal | 1908-16 | Earl of Crewe | April 1908-Nov. 1910 |
| | | L. Harcourt | Nov. 1910-1916 |

MACAU



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